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Friday August 4 1989

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World News

Tourist airliner crashes in Greece

An Olympic Aviation airliner flying from Salonika carrying 34 people crashed close to mountains on the island of Samos and rescue workers were searching for survivors.

Arms talks progress US and Soviet differences over how to reduce their strategic nuclear arsenals and on space defence projects have nar-rowed in "small but significant ways" according to the chief US negotiator. Page 2

AIDS drug success The AIDS drug Retrovir, developed by the UK pharmaceuticals group Wellcome, signifi-cantly slows the progress of the disease according to a US clinical trial. Page 14

US Traders Indicted A US grand jury indicted 46 Chicago commodity traders. on fraud and racketeering charges in the culmination of a 30-month-long investigation. Page 15 .

HK airport plan

Hong Kong's Government is planning to announce plans for a new international airport in the early 1990s which will cost around HK\$60bn (\$73m).

Talks in trouble

A potential agreement between India and Sri Lanka over Indian troop withdrawals from Sri Lanka ran into difficulties.

London bomb blast One person was killed when an explosion badly damaged the Beverley House hotel in west London amid fears of an attack by the Irisb Republican Army on the capital

Race protest widens South African anti-martheid groups said they will extend their disobedience campaign to include segregated schools parks, swimming pools and mining facilities. Page 4

Cambodian call-up The Cambodian Government, facing a possible civil war after Vietnam withdraws, has introduced three-year compulsory

military service.

Eurotunnel inquiry French stock market regulators opened an inquiry into trading in the shares of Eurotunnel just before the Angle-French consortium confirmed rumours of severe cost overruns. Page 2

Trader mutilated Anti-terrorist police raided an

isolated Italian farm and freed Florence coffee trader Dante Belardinelli whose kidnappers had cut off his ear lobes.

Asylum possible A senior Interior Ministry official said Hungary might con-sider granting political asylum to citizens from East Bloc ally East Germany.

Turkish jail deaths Two Turkish prisoners died from dehydration in a hunger strike in Aydin, near the

Aegean coast, after being moved from the jail at Eskisehir. Page 2

Man bites dog A man from Hull, on the English east coast, was fined £200 (\$320) by magistrates for biting his next door neighbour's dog.

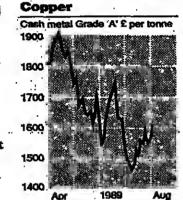
UK bankers recover \$12m in New York court case

STANDARD Chartered, UK international banking group, has recovered \$12.5m after obtaining a favourable ruling in a closely watched New York court case. Standard Chartered had

received the backing of the British Government, the Bank of England and numerous banking organisations in its

fight.
The case arose out of an insider trading scandal involv-ing a Tarwanese dealer alleged to have transferred money to Hong Kong through the Stan-dard Bank's New York branch.

COPPER prices rose on the London Metal Exchange with the cash quotation closing at £1,606 a tonne, up £18 on the day and £42.50 on the week so far. Dealers said the rise



was linked to movements on New York's Comex market and currency finctuations. Commodities, Page 26

WARTSILA, Finnish engineer-

ing and shiphulding group, has begun negotiations with the Finnish Government in an attempt to save its marine division, which is one of the largest shipbuilders in Europe, from bankruptcy. Page 15 US EXPORTS: Two infloential Republican senators are developing plans to create a US agency to oversee export controls in the hope of ending the bitter inter-agency feuding which has slowed governmental approval of sensitive high

technology exports. Page 5 S. G. WARBURG, a leading British investment bank, was rapped by the Takeover Panel, Britain's watchdog on bids and deals, for failing to exercise due care when advising its client William Low, in an abor-

tive bid for fellow food retailer, Budgens. Page 15 LONG term Credit Bank of Japan plans to set up a joint venture investment advisory

company in the US with the Philadelphia investment management group, Miller, Ander-son and Sherrerd. Page 17 **DEUTSCHE Bank, West Ger-**

many's biggest bank, announced partial group operating profits of DM1.87bn (\$1bn) in the first six months of this year. Page 15

DAIWA Europe, Japanese securities firm, has formed a London-based subsidiary specialising in European mergers and acquisitions. Page 18

RYDER Systems of the US, world's largest truck leasing company, has entered the regu-lated West German road trans-port business. Page 5

YASUDA Trust and Banking, Japanese trust bank, and Gold man Sachs, Wall Street invest-ment bank, have forged a cooperation pact in financial

futures. Page 18 SUPER 301: 26 Latin American and Caribbean nations have rejected and condemned unital eral sanctions contemplated under the so-called Super 301 provision of the 1968 US trade

BRITISH Airways warned of a "small patch of turbulence" ahead with pre-tax profits of £96m (\$159m). Page 15

FT-SE 100:

2.306.3 (-1.5)

FT Ordinary:

1,924.0 (+0.1)

FT-A All Share:

STOCK INDICES

Business Summary

Kidnappers freeze death threat to American hostage

By Andrew Gowers In London, Peter Riddell in Washington and Hugh Carnegy in Jerusalem

THE pro-Iranian kidnappers of an American held in Lebanon announced last night that they had "frozen" their threat to execute him in an apparent breakthrough in efforts to resolve the Lebanese bostage

"We announce the freezing of the execution sentence," said the Revolutionary Justice Organisation, which is believed to be linked to the Shig extremist Hizbollah (Party of God), in a statement sent to Beirut's

an Nahar newspaper.

The statement was accompanied by a polaroid photograph of Mr Joseph Cicippio, the chief accountant of the American University of Belrut, seized on September 12, 1986.

The deadline had been postponed twice since Tuesday. In
a 14-line statement in Arabic

the group announced that the death sentence had been frozen "out of respect for the intervention hy the parties and states with whom America pleaded to mediate and stop the acceptance." the execution." The group proposed what it called "an initiative" for the

release of Sheik Abdul Karim Obeid, a Lebanese Shia leader abducted from South Lebanon by Israeli commandos a week ago, and Palestinian and Lebe guerrillas imprisoned in But the move followed

mounting diplomatic and military pressure by the US to prevent the execution, which would have been the second and possibly against their

HEAVY hints yesterday about possible US retaliation in the event of another hostage mur-

der in Lebanon have left analysts puzzling over

America's military options in resolving the cur-rent crists, writes Andrew Gowers. The view among military experts is that they are few and

fraught with difficulty, OPTION 1: A strike against targets in Lebanon.

There is no easy target: The whereabouts of the hostages is uncertain, which means that there seems little chance of a successful "snatch"

operation by US troops. Any bombardment of

Shia Moslem areas or more limited strikes against Hizbollah targets would be certain to

cause heavy civilian casualties and quite possi-

bly the death of the remaining Western hos-

for Strategic Studies in London put it: "The US Navy can do a lot of window-breaking in Leba-

non; the difficulty is undertaking an operation

As Mr Don Kerr of the International Institute



Cicippio: death sentence frozen

reported murder of an American hostage in Lebanon this week. It also came after Mr Marrack Goulding, a special UN envoy, had met in Beirut with Sheikh Mohammed Hussein Fadiallah, widely seen as Hizbollah's spiritual mentor, and with franian officials, Iran is the main external sponsor of Hizbollah, and bas been the principal target of US efforts to prevent further executions.

With the approach of the latest deadline for Mr Cicippio, at 19.00 GMT, the White House had warned that his death would create "a very grave sit-nation." There had also been mounting political pressures on President George Bush for

A hazardous set of options

backers in Iran, if they mur-dered Mr Cicippio and other

bostages.
NBC News quoted unnamed senior Administration officials as saying that Mr Bush had decided to retaliate against Lebanese Shias and Iran if his diplomacy failed. But Mr Mar-in Fitzwater, the White House press spokesman, said "no final judgements to that effect

had been made."
With US naval forces in the eastern Mediterranean and in and around the Gulf being reinforced, Mr Fitzwater said that the "foundation planning" had been done for every sce-

nario.
The US has pressed every possible diplomatic channel seeking, in particular, the help of Iran and Syria to use their influence over various groups in Lebanon holding bostages. Through intermediaries such as the Swiss and West German

Governments, Washington told Tehran that it knew the Ira-nian Government had exerted influence over Lebanese hostage takers in the past and that it expected Iran to ensure the safety of US hostages now. Hojatoleslam Ali Akbar Raf-

sanjani, who was sworn in as Iran's fourth President yesterday, has condemned the killing of Lt-Col Higgins on Monday but said that it was nothing to do with Tehran. The kidnappers of Mr Cicip

pio first threatened to kill him on Tuesday unless Israel freed Shelkh Obeid.

Bekan valley in eastern Lebanon, which is believed to contain several hundred Iranian

Revolutionary Guards and a number of training bases for Hizbollah fighters. But this, too, would be wide of the main target. American officers

will also be mindful of the presence of recently-

modernised Syrian anti-aircraft batteries in the

OPTION 3: Direct action against Iran, seen as

the external sponsor of Lebanon's kidnap gangs. The consequences would be incalculable, but

probably adverse for Washington and beneficial

to hardliners in Tehran who thrive on confrontation. Some analysts believe the Iranian Gov-

ernment's hand could be more easily forced by

the inconvenience of political or economic sanc-tions than by military action. But such things

take time to arrange.

Five-year plan for converting the rouble proposed By David Lascelles,

Banking Editor, in London

A NEW five-phase plan to transform the Soviet rouble into an internationally convertible currency and draw the Soviet economy into world markets was proposed yesterday by a group of Soviet and Western economists.

Their plan, prepared at the instigation of the Soviet Countries.

cil of Ministers, foresees a timetable of 10-15 years, but would require major changes both in the Soviet financial system, and western trade pol-

cy. The seven-man team, including three members of the Soviet Institute for the Study of the USA and Canada, and four economists from North America and Europe, says that the starting point for convert-ibility is the hard currency anctions which Moscow already holds for organisa-

already holds for organisa-tions involved in foreign trade in manufactured goods.

As a first step, these cur-rently artificial anctions would be transformed into genuine ones where hard cur-rency goes to the highest bid-der. Next, the anctions would der. Next, the anctions would be widened to include firms which export fuels, minerals and natural resources.

In the third phase, co-operatives, private enterprises and

Soviet-western joint ventures would be allowed to partici-pate, bringing the anctions closer to genuine foreign exchange markets with daily exchange markets with daily exchange rate fixings. At this stage, banks would also increasingly play a role by bnying foreign exchange for smaller entities.

In phase four, householders would receive the right to hold foreign currency, but they will deal through intermediaries rather than directly with the

rather than directly with the market, enabling the Govern-ment, if it wishes, to run a that is more sharply pointed, that has a real impact on the kidnappers."

OPTION 2: US forces might take aim at the

two-tier exchange rate.

In the final phase, foreigners obtain the right to exchange ronbles freely and gain access to the foreign

Dr Michael Claudon, president of the Vermont-based Geonomics Institute which helped prepare the report, said while the Soviet and Western economists were optimistic that the ronble could be made convertible, they disagreed on the timetable. The Russians saw the process taking 10 years, westerners thought it would need 15.
Doctoring the economy, Page

MIDLAND Bank, Britain's

land Montagu, its corporate banking and global investment

making heavy provisions against Third World debt. Midland has now assigned sufficient funds to cover 50.4 per cent of its total lending to

This puts it a whisker ahead

lem country debts after Mid-land with \$6.9bn, while Nat-West and Barclays' exposure is much lower at \$4.6bn and

to resume making beavy provi-sions against loan losses by

Britain's third biggest bank loses £531m

By David Barchard in London

third largest, yesterday dis-closed losses of £531m (\$861m) in the first half of this year, after a week in which mid year results for the country's other leading banks had been hit by Third World debt prob-

Midland, however, was the

Midland, however, was the only one of the Big Four - Barclays, National Westminster, Midland and Lloyds - to declare a loss.

The bank was hit not only by continuing Third World debt problems, which forced it to set aside \$1.4bn in provisions against losses, by a steep fell in profits at Midby a steep fall in profits at Mid-

Sir Kit McMahon, Midland's chairman, said the bank had decided to "bite the bullet" by problem countries of \$7.93bn.

of the other three large clearers which have made provisions of around 48 per cent.
However, the scale of Midland's problem remains bigger than those of its competitors. Lloyds has the largest prob-

The banks have been forced

worsening conditions in several leading dehtor countries in Latin America. Yesterday Sir Kit denounced the US proposals under the Brady Plan for settling

Mexico's debt problems as "ill -cooceived and destabilising" and said it ought to have been backed up by public money.

The Brady plan, drawn earlier this year by Mr Nicholas
Brady, the US Treasury Secretary, aims to forgive more than a third of foreign debts owed by some developing countries.

On the Brady Plan's proposals to reduce Mexico's debt to international banks by 35 per cent. Sir Kit warned: "We do not believe in debt forgiveness for on -going debtors and said it might encourage worse behaviour by other countries. The other sbock for Midland was the tumble taken by Mid-

land Montagu where profits fell from \$182m a year ago to only \$33.2m in the first six months of the year, after trouble on several fronts.

Bad debts including fraud obliged it to make provisions of \$89.6m, while its Treasury and money markets operations lost large amounts of mooey after

misjudging the way interest rates would move in the first half of this year. Only Midland's domestic banking operations in the UK performed well, with high levels of lending to small and medium businesses helping push up UK banking profits by 27 per cent on last year to

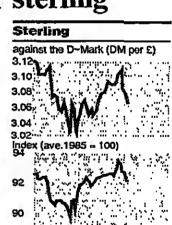
Lex. Page 14

Bank of England comes to defence of sterling

THE BANK of England was yesterday forced to defend ster-ling after confidence in the pound was undermined by the pound was undermined by the prospect of up to £2bn (\$3.3bn) of currency sales by the UK's four big clearing banks, writes 3.08 four big clearing banks, writes Simon Holberton.

The sales, which were booked through the foreign exchange market over the past couple of weeks, were needed hy the banks to fix in their financial accounts the sterling value of the provisions they have announced for possible losses on Third World loans. These loans are mostly US dollar denominated. The move was designed to

Continued on Page 14



GEC/Siemens relaunch hostile bid valuing Plessey at £2bn

By Hugo Dixon in London

THE GENERAL Electric Company, of the UK, and Sie-mens of West Germany yester-day relaunched their hostile bid for Plessey, valuing the smaller British electronics

company at £2bn.

They said the 270p per share offer would not be increased under any circumstances. The Anglo-German consortium had no difficulty in buy-ing a further 113m Plessey shares at the offer price in the market-place, taking its share-

holding from 14.4 per cent to

29.9 per cent. Under takeover rules, it cannot increase its stake further until three three weeks after posting an offer document, which is expected soon. By making a final offer at below the prevailing price in the market, GEC and Siemens were taking a risk that institu-

tional shareholdere would law. Page 5 reject the bid and back an independent Plessey. However, their gamble last night appeared to have paid off, with Plessey's share price

closing 9p down at 267p. "It looks as though Plessey haven't got anything up their sleeve, so it is all over bar the shouting," said Mr Rob Collins, an analyst at Kleinwort Benson Securities.

Asked at a press conference bow determined the consortium was to acquire Plessey, Lord Weinstock, GEC's managing director, said: "We are determined to the extent of £2bn of folding money." Mr Stephen Walls, Plessey's managing director, argued that

the price was so low that it

would demonstrate the greater value of keeping Plessey inde-He also argued that the ease with which GEC/Siemens had acquired a further 15 per cent of Plessey was not "a bell-weather for shareholder sentiment", claiming that many of the sellers were arbitrageurs. However, it is understood that

most of the shares were actu-

ally acquired from institutional

The shape of the final offer is

response to 1992.

the Monopolies and Mergers Commission last April Plessey's defence electronics businesses will be divided between GEC and Siemens, while most of its remaining activities - principally in tele-communications and micro-

the same as that approved by

electronics - will be run as igint ventures. Because Siemens will end up with more of Plessey than GEC, it will pay about £1.25bn of the total price with GEC footing the remaining £750m. In the past, Plessey has criticised this structure as a

carve-up. "I don't like the word carve-up; there are no knives involved," Lord Weinstock said. His preferred description was "gentle restructuring and redisposition.

However, he admitted that redundancies would be inevita-ble in some areas as a result of cut in the Government's spending on defence.

Lex, Page 14; London Markets, Section Two

Tackling the Augean stables of Soviet state finances

> Valentin Paviov (left) has inherited the most unpopular portfolio in minister, he must

shareholders.

arts policy in disarray ___ Lombard: The Irrelevance of micro reform .. 13 Lex: GEC, Midland, da la Rue, British Airways, Wellcome -Digital audio tapes Why the pirates will strike Raw Materials . Stock Markets _

Norway: US retreat puts pressure on Nato'e

Tokyo: Jepan will transfer technology to EC in

Management: Corporate clothing - Uniformity

Editorial comment: Italy's role in Europe; an

Remember when big screens were only at the cinema?

> Toshiba remembers. Back in 1939, we developed our first television. It had a 9-inch round screen.

A big screen TV was just part of the future. Now it's here. A 28-inch, high resolution flat and square screen Toshiba 285 TV. And now we work towards a new future. Not just for home entertainment, but for office equipment, medical equipment and a whole array of consumer and industrial products. Because at Toshiba, we continue to work towards the day when we say, "Remember when ...?"

> In Touch with Tomorrow TOSHIBA

MARKETS STERLING

New York \$1.635 \$1.643 (1.6635) DM3.065 (3:08) FFr10.3875 (10.435) Y225 (226.5)

Longon: DA(1.866 (1.8515) GOLD New York: Comex Dec \$380.9 London: \$369.5 (369.75) M SEA OIL (Argus) \$17.175 (16.9)

FFr6.3225 (6.2725) SFr1 6065 (1.592) Y136.9 (136.1) \$ index 68.8 (58.4) Tokyo ciose: Y136.40 US LUNCHTIME RATES Fed Funds 815% 3-mo Treesury Bills: yield: 7.867% Long Bond: 11112 yield: 7.869%

New York June

FFr6.3575

Y197.55

1,176.27 (-0.1%) FT-A long glit yield Index high coupon: 9.41 (9.37) New Yerk lunchtime: DJ Ind. Av. 2,663.13 (+5.69) Tokyo: Nikkel 34,779.81 (-119.53) LONDON MONEY 3-morth interbank: closing 1333% (same)

Chief price changes yesterday: Page 27 SELLING PRICE IN IRELAND 60p, IN MALTA 40c

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World Trade

the new Soviet Govarnment. As finance Introduce sweeping tax reforms and equally drastic cuts in investment.

a wrong nate . Financial Futures International bonds Intl. Capital Markets Letters

in pursuit of a charper identity -

US AND THE SOVIET UNION NARROW GAP BETWEEN THEM IN TALKS ON ARMS REDUCTIONS Partial agreement on 50% nuclear cuts ponder the

By William Dullforce in Geneva

US AND SOVIET differences over how to reduce their stra-tegic nuclear arsenals and on epace defence projecte have narrowed in "small but significant ways" in the latest seven-week round of talks, Mr Richard Burt, the chief US negotia

tor, said vesterday. But in reports to the United Nations Conference on Disarmament both he and Mr Yuri Nazarkin, the head of the Soviet delegation, elaborated on the gaps which divide them. On the positive eide, Mr Nazarkin described the US's idea of test runs of verification methods before the conclusion of an agreement as "quite use-ful." while Mr Burt said he had established "a solid working relationship" with Mr Nazar-kin. The talks had been "businesslike, non-polemical and oriented to substance not rhet-oric". Mr Burt said.

Both chief negotiators took up their jobs in June this year after the talks had been recessed for seven months while the Bush administration

Polish MPs

murders by

to probe

police

Poland in 1981.

It piled more pressure on the

defence policy.

The current round will end

at the weekend without a date having been set for resumption, although Mr Nazarkin expected the next round to expected the hext round to start immediately after the meeting between Mr James Baker, US Secretary of State, and Mr Eduard Shevardnadze, the Soviet Foreign Minister, scheduled to take place in Washington next month.

Mr Burt said the latest round had laid the ground for "a pro-ductive discussion" between the ministers.

The two sides have been working on a 400-page draft treaty which embodies partial agreement on 50 per cent cuts in each sides' strategic nuclear weapons, reducing them to 1,600 delivery systems and 6.000 warheads. A crucial difference concerns

sea-launched cruise miseiles. The US says that conventionally armed SLCMs should not be part of an agreement and argues that a non-binding dec-

conducted its review of US laration by both sides of plans for nuclear-armed versions of these missiles is the only prac-

tical solution.

Moscow wants to limit the deployment of long-range nuclear SLCMs, but the US has rejected a system for control-ling the presence of nuclear

Mr Burt said the US knows of no way to verify effectively limits on the production and storage of the sea-launched missiles.

The US has said it is ready to reconsider its demand for a total han on mobile intercontinental ballistic miselles, if agreement could be reached on how to check compliance with the limits placed on them. But this issue will remain in limbo. until Washington has decided on its own programme for mobile weapons.

The Soviet Union has tabled new ideas on air-launched cruise missiles, according to Mr Nazarkin, although Mr Burt said that the US still wanted ALCMs counted by a rule that would credit each heavy bomber with an agreed number of warheads regardless of the number actually carried. Agreement to continue to observe the 1972 anti-ballistic missile (ABM) treaty and not to withdraw from it for a speci-fied period of time remained

the key issue, according to Mr Nazarkin. Moscow continues to insist that 50 per cent cuts in strategic arms are only possible if there is an understanding not to place anti-ballistic weapons

in onter space.

The US sees this as an attempt to halt the US Strategic Defence Initiative started under President Reagan. How ever, Mr Henry Cooper, the US negotiator on space defences, underscored the progress made on a predictability measures protocol, in which he saw a hasis for agreeing a space

defence treaty.

The protocol would allow each side to keep track of the other's development, testing

Daimler-MBB deal 'damaging' for W German monopoly body

By David Marsh in Bonn

PROF ULRICH IMMENGA, the former head of West Ger-many's Monopolies Commis-sion, said yesterday that the POLAND'S Parliament is setting up a commission to investigate claims by the Solidarity opposition that police carried out dozens of advisory board's etanding was likely to have been damaged by its qualified vote in favour of the Daimler-Benz/Messer-schmitt-Bölkow-Blohm (MBB) political murders in the 1980s, Reuter reports from Warsaw. The parliamentary attack on the police, reflected in a vote to

takeover. Mr Immenga, a Göttingen begin the inquiry, was an unprecedented onslaught by a university professor who had headed the Commission since state body on the security forces which seized control of 1986, resigned from his post to mark his disagreement with the council's majority decision on Wednesday to recommend

the merger. He told the Financial Times country's Communist leaders, struggling to keep their hold on power after introducing that he quit because the Monopolies Commission - a five-man body set up 16 years ago to give the Government independent advice on takedemocratic reforms. Earlier, the partly-elected Sejm (lower house) had set up a commission to consider impeaching Mr Mieczyslaw Rakowski, the Communist party leader and former Prime overs - no longer showed a "basic consensus" defending free-market competition.

Minister, for alleged economic mismanagement over the past 10 months. Mr Immenga claimed yesterday that his resignation was not "dramatic". It was simply the logical consequence of his The Sejm voted on Wednesday evening to set up the commission to examine discord with the other four members, who came out in favour of the Daimler-MBB charges that police committed the murders after martial law was imposed to suppress the merger on condition that Daimler shed important parts of its military business. None the less, his decision to Solidarity union in 1981.

Mr Tadeusz Kowalczyk, Solidarity Deputy, told the Sejm last month that the Interior Ministry had been responsible for almost 100 mammoth armaments and political murders. He discovered many cases of aerospace link-up. The Federal accepted.
Cartel Office, the government Three of

unpublicised killings involving the ministry that were covered up as apparent suicides during his work on a Solidarity law commission, he said.

The motion to set up the parliamentary commission caught Communist Deputies by surprise when the Seim was half-empty on Wednesday evening and they were outvoted.

In a further embarrassment for the Communists, it coincided with the coincided with the appointment of General Czeslaw Kiszczak, Interior Minister since 1981, as Prime

The only case since 1981 in which police have been found guilty by the courts of political murder was the killing of Fr Jerzy Popieluszko, the pro-Solidarity Catholic priest, in 1984. Four security policemen were jalled Mr Grzegorz Przemyk, a

etudent, and Mr Piotr Bartoszcze, a Solidarity activiet, died in separate incidents in 1983 after being in police enstody, but courts stopped short of convicting the police of responsibility. Mr Kowalczyk told the Sejm

on Wednesday that the Interior Ministry was well aware of the Unemployment in West Germany rose in July to 1.97m, or 7.7 per cent of the working population from 7.4 per cent in June and 8.5 per cent in July last year. How-ever, Mr Mr Heinrich Franke, president of Federal Labour Office, said the medi-um term ontlook remained um-term ontlook remained positive, David Goodhart

writes in Bonn. agency which rules on merger control rejected the deal on competition grounds in April. Mr Helmut Haussmann, the conomics Minister, is to make a final pronouncement in Sep-tember on whether to overturn the Cartel Office veto. He is using the Monopolies Commis-sion report to help him make up the mind.

In a further move in the propaganda war over the transac-tion, both Daimler and MBB on Wednesday promptly termed as unacceptable the Commis-sion's suggested conditions. The row has added to a

debate on the role of the Monopolies Commission in try-ing to persuada the Government to adhere to free-market principles. Mr Immenga said the Commission appeared to reflect developments within step down has brought back Germany and at the European into the beadlines the two-Commission under which state year-old controversy over the interference with the economy was becoming increasingly

Three of the other members

of the Commission - Prof Carl-Christian von Welzsäcker, an academic economist, Ms Elke Weber-Braun, from the Ger-man subsidiary of the Arthur Anderson accounting firm, and Mr Wolfgang Herlon, head of a cog wheel manufacturing com-pany - came out in favour of the deal with conditions

Mr Immenga said they accepted the advantages of bringing together West Germany's civilian aerospace com-panies. But he said he was panies. But he said he was against linking up MBB's defence husiness with Daimler - which is already West Ger-many's largest company - on the grounds that this distorted competition in the national armaments market without bringing international benefits.

Mr Immenga pointed out that Daimler-MBB would be greatly improving its defence market position within Ger-many. But there would be no competitive benefit in the international collaborative pro-lects in which West Germany jects in which West Germany participated since work shares in these ventures were decided by governments, not by mar-

Mr Edzard Reuter, the Daim-ler chairman, has argued that the link with MBB will give West Germany the possibility of "systems leadership" in integration of advanced arma-ments projects.

French regulators open inquiry into Eurotunnel share trading

By George Graham in Paris and Danial Green in London

FRENCH STOCK market forecast in its 1987 prospectus. regulators have opened an inquiry into trading in the sbares of Eurotunnel just before the Anglo-French consortium confirmed rumours of severe cost overruns last

The London Stock Exchange is also understood to be looking at dealings in Eurotun-nel, which is building a high speed rail link under the English Channel between Folkestone, southern England and Sangatte, northern France, in what it described as a routine investgation.

Eurotunnel's share price plunged in unusually heavy trading in the week of July 17 to 21, just before the company announced on July 21, after a regular two-monthly board meeting, that the cost of shuttle trains and rolling stock would be higher than the £226m (\$372m) fees originally

The rolling stock contracts were finally announced on July 26 and turned out at £600m, more than double the original price.

The company is now examining other construction cost overruns with Transmanche Link, its main contractor building the tunnel.

The Commission des Operations de Bourse (COB), the French market watchdog. decided at a board meeting on July 28 to open an official enquiry into Eurotunnel dealings, though no precise period has been targeted. Eurotunnel's shares, traded

simultaneously on the Paris and London stock exchanges, dropped from FFr116.20 (\$18.41) two weeks ago to close at FFr102.90 on the day of the company's first official statemore sharply to FFr90.95 on July 25 before recovering when the rolling stock contract was finally announced. Senior Eurotunnel execu-

tives blame persistent reports by a UK newspaper for spreading rumours of a cost overrun in the week before the contracts were awarded. Stock market analysts in the City of London say, however,

that the rumours originated in the French capital "if you telephone every financial analyst who covers the stock and ask them the same question, sooner or later they are going to start talking among themselves," said one Eurotunnel official. Eurotunnel in London said

that it was prepared to assist The Stock Exchange in any Fr102.90 on the day of the sometiment. Fr102.90 on the day of the senguiries. Eurotunnel shares closed 9p lower in London at 863p, and in Paris at FF190.1 (\$14), down FF73.60.

security of Nato's north flank

A SPATE of incidents involving Soviet nuclear-pow-ered submarines off northern Norway has not merely raised questions about Moscow's ability to operate such vessels safely, it has also prompted wider questions about the security of that strategically vital region.

The stricken submarines highlight the fact that the

By Anthony McDermett, recently in Osio

highlight the fact that the nearby Kola peninsula houses 60 per cent of the Soviet nuclear-powered fleet, armed with strategic missiles, and no less than 16 air and 14 naval bases. And as speakers at a recent symposium in Oslo agreed, the current lessening of East-West tension in central Europe has not reduced, and may even not reduced, and may even have raised, the potential for confrontation on the conti-

confrontation on the conti-nent's northern periphery.

Western strategic planners continue to see as a possibility the launching of a Soviet attack through northern Fin-land and Sweden, backed up by naval blockades of northern Norway, and in the south a sweep via the Baltic past Swe-den and Denmark.

den and Denmark.
But as several speakers at the "High North 2010" conference commented, the US military commitment to Western Europe appears to be on the wane, both because of improved East-West relations and for economic reasons.

This has placed a special burden on Norway, which has practised towards the Soviet practised towards the Soviet Union (with which it has a 196km border) a combination of reassurance — through not overplaying its offensive capacity — and dissnasion, by emphasising that any attack would meet stern resistance. Initially, this would be purely Norwegian but thereafter it would be backed up by Nato. The more tha US shows siens of wanting to reduce its

signs of wanting to reduce its direct commitment to central Europe, the more concern in Nato's outer flanks - Norway

and Turkey - rises.

The general view was that there would be little change in military alignment of the five Nordic countries: Nato mem-bers Iceland, Norway and Den-mark, and neutral Sweden and Finland. But the entire region faces the challenge of respond-ing to the increasing politicisation of the EC, to which only Denmark, among the Scandina-vian countries, belongs.

As speakers pointed out, growing US isolationism could force an acceleration of the process whereby the EC arro-gates to itself, side by-side with Nato as a whole, a larger say

in defence matters.

Paradoxically, the prospect of a defence-minded EC is arising Just as neutral Austria is applying to join and even Swe-den is tempted to consider a bid for memberhip.

Norway's dilemma is particularly sharp. In a nation-split-ting referendum in 1972, Norwegians voted against joining the EC. But Oslo recognises that Efta (grouping it with Austria, Switzerland, Finland, Iceland and Sweden) is a with-ering branch, and that to belong to a mainly neutral club like Efta, and to Nato, looks

increasingly contradictory.

Over the past decade, Norwegian governments have found that to be cutside the EC is to he in the corridors rather than in the negotiating chamber. this pressure will rise as the challenges of 1992 and the single market approach.

So even if delegates to "High North 2010" did not foresee any abrupt changes in the strategic positions of the Securitarians.

positions of the Scandinavian nations, some did predict a subtle change in their external relations: notably, closer ties with the EC for Norway and Sweden, and possibly a closer bilateral military relationship between Norway and the US.

Norwegians Drunken British tourists kick hole in Spanish hotel profits

By Peter Bruce in San Antonio, Ibiza

Wants to find out why tourist receipts are falling, the answer is staggering about in a drunken frenzy in the alleyways of this awful island holiday resort. San Antonio at midnight

presents one of the most repulsive sights in Europe: thousands of package tourists, mostly British, drinking, singing, belching, ogling and fight-They are all drunk and have

been for hours; the disco-theques are not yet open. Down one of these alleys, Jesus Moreno, a young Spanish waiter, died last Sunday night after being pushed from his moped by a group of youths allegedly wearing Leeds United football jerseys.

Are the island authorities outraged? No. they do not sound particularly angry, at

outraged? No, they do not sound particularly angry, at least in their public statements — a fact that seems remarkable until one remembers the damage to local business that publicising the incident will generate.

The police understaffed and inefficient, have made no arrests, and think it was an accident. The mayor agrees.

But some residents are worried. "There's so much violence this year, I don't know what's happening," says Les, a Mancunian who manages a bar nearby.

The British - through the connivance of UK travel agents and Spanish authorities - are coralled into places like this all along Spain's Mediterranean coast. They drink British beer,

eat bengers and mash and never talk to the locals. "Well, they're all the same aren't they?" said Trevor, from Liverpool, after being turned

opinion.

Les has seen it all. "Some people can't actually comprehend the fact that they are in a foreign country," he says.

He adds, significantly: "This is the warret people." is the worst season I've ever had." On Ibiza, arrivals are down 12 per cent on last year. Occupancy of hotels and flats has fallen 20 per cent as the building of cheap apartment blocks goes on unabated.

There's so much violence this year, I don't know what's happening'

Tourists are staying away because the Spanish package tour resorts are finally being perceived as decrepit, cheap and nasty. As hoteliers drop their prices, the quality of visitor gets even worse.

"Tourists aren't stupid. They have other places in gn." says.

have other places to go," says
Brasilio, manager of the trendy
KU discotheque. "So far it has
all been too easy. The Spanish
built and built and put up
prices and didn't care about

Ibiza itself is testimony to that avarice. There is hardly an imaginative new building on the island.

on the islam.
"I have to hang my head
when I go to San Antonio,"
says Mr Fernando Asensi, a
director of tourism on tha

The local government has banned the construction of anything except four and five star hotels and of spartment blocks in anything less than

the Soviet Union.

But the damage done by local speculators will take years to rectify, if it can ever be done.

"We have to change everything," Mr Assusi says, "We cannot take about quality tour-

ism when there isn't even a functioning four star bote

Back in San Antonio it is about 2am and still very hot. The bare-chested tattooed thugs and their drunken girl friends wander off to the local discos for another boar. The more adventurous Britons may take a ride out of town to KU or its rival Amnesia — birthplace of the "acid house" rock movement. Some

house" rock movement. Some tourists just go to dance until dewn. Many are on the prowl for Ecstasy, the amphetamine-based drug reputed to have aphrodisiac properties, that is in plentiful supply on the island even though the discommencers deny it. managers deny it.

The disc jockey at Amnesia says: "In the summer everyone brings drugs to ibiza. Every-

The acid rockers are proba The acid rockers are proba-bly not as dangerous as the lager louis down the road; but they are hardly "quality" tour-ists either. And at times it is difficult to believe that the Ini-zans care much either way. If the racent outbreak of typhoid at a mainland resort aroused little public interest in Spain, Jesus Moreno's tragic death no longer arouses any at

death no longer arouses any at

all on Ibiza. One har owner in San Anto-nio doesn't know what all the fuss is about. "The English are like everyone else we get here. Yes, they drink too much, but tourism has not ruined Iblza. It has made us rich."

Yugoslav inflation rises to record high of 31%

By Aleksandar Lebi in Belgrada

YUGOSLAVIA'S monthly inflation rate reached an all-time monthly record of 31 per cent in July, or around 2,500 per cent for the year if present trends continue. The latest statistics hava increased pressure on the Prime Minister Mr Ante Markovic to devise a specific anti-

inflationary pro-gramme - with tar-gets - rather than follow his current policy of trying to squeeze inflation out of the system through very restrictive monetary policy.

Mr Markovic says he expects inflation to peak during the summer before falling to a monthly rate of 16 per cent by A series of anti-inflation plans launched by his prede-cessors, and based on price controls, have fallen woefully.

short of target.
At a recent plenary meeting of the Communist Party's central committee, the Prime Min-ister complained that efforts to curb inflation were being hindered by politicians who were obstructing federal spending cuts and measures aimed at used for trade between Com-munist countries, a paper sur-plus amounts to an unre-deemed loan. Moves to cut the surplus with Moscow have been opposed by Serbia, which has the lion's share of Soviet-Yugoslav trade.

Tugoslav trade.

The Prime Minister also complained about what he called an "mjustified" increase in real (inflation-adjusted) wages, which were running in May at levels 20 per cent above December last year. He blamed the country's

republics, provinces and municipalities for falling to follow the Federal Government's example in curbing public spending, and accused his crit-ics of trying to toppla him rather than offering constructive advice.

Some recent statistical indi-cators have been puzzling. For instance, production has risen several percentage points over the past 12 months, but local consumption has fallen 10 per cent, inventories have not risen, and exports have not risen so much as to account for the increased output.

Italian profitability up

By Alan Friedman in Milan

cutting the trade surplus with

A SAMPLING of L710 Italian manufacturing and servica companies in both the private and public sectors shows that total net profits rose by an average of 27 per cent last

The result was due largely to reduced losses from state-owned industry. In the survey, conducted by Mediobanca, the Milan merchant bank, private sector profits declined by an overall 2 per cent last year, to L6,727bn (62hn)

(£3bn).
Total losses from the public sector, where both the IRI and

ENI state groups were in profit, were reduced by 85 per cent, from L1,776bn in 1987 to L249.5bn.

By netting out the private and public eector results Mediobanca arrives at a combined 1988 profit rise of L6,477bn, which is 27 per cent up on the previous year.

The survey, which takes into account companies that represent about 48 per cent of total Italian turnover from the man-

ufacturing and service indus-tries, also shows a 10.6 per cent rise in overall revenues last

cal story for his sports-crazed compatriots. The Prime Minister's 60km outings, after all, are a key part of the Martens mystique and have helped endear him to the voters in numerous successful election

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Bulgarian refugees set up camp in Turkey's city of minarets Bursa, the old Ottoman capital, is swelling with East European migrants searching for new homes, writes Jim Bodgener

OREIGN licence plates are commonplace in mid-summer on the leafy streets of Bursa in north-west Turkey. Gleaming Mercedes driven hy holidaying "gasterbeiter" – guestwork-ers from West Germany - mingle with the campers and caravans of for eign tourists, many from Arab countries south of the border.

Bursa, a city of domes and minarets, was the initial capiminarets, was the initial capi-tal of the Ottoman empire in the Fourteenth Century. The architecture of grand mosques, thermal hamams (baths) and bazaars still testifies to the power of an empire which inleashed invasions across the Dardanelles as far as the gates

The historic city centre is now fringed by sprawling industrial suburbs and a ringroad which last week was clogged with overladen and steaming East European cars

on the last leg of their journeys from Bulgaria. More than 200,000 ethnic Turks from Bulgaria have crossed into Turkey since May - driven out or escaping forced assimilation by Sofia.
Around a quarter of the
migrants headed for Bursa, the
common destination for migrating Balkan Turks since the late Nineteenth Century. The traditional exodus across the Dardanelles from Europe to Asia has left Bursa's 1.3m people with a strong Balkan heri-

tage.

Much of Bursa's considerable commercial and industrial capital has been generated by families led by self-made men who arrived between 1935 and 1950, such as Mr Cayit Caglar, the city's MP, and Mr Mumin Caracity Land Mr Mumin Caracity Land Mr Mumin Gencoglu, long-time president of the Balkan Immigrants

Association. Mr Gencoglu claims: "Wa can take however many people

Two Turkish hunger strikers died from dehydration yesterday after being moved to a prison in Aydin near the Aegean coast from one in Eskisshir late on Tuesday.

The deaths followed the moving of 311 prisoners from Eskisehir to two other jails on Tuesday, ostensibly as a security measure after two two ascape tunnels were found. The protests was against a punitive regime imposed after the tunnels' discovery.

Bulgaria sends." He predicts that up to 900,000 of Bulgaria'e ish minority may aventually settle in the area. The authorities are already having to re-direct new arrivals to smaller towns and villages in the province, according to Mr Erdogan Sahinogiu, Bursa's governor,

Most of the Bulagrian emigres have long-lost friends and relatives in Turkey but they are often elderly, with limited accommodation and means.

The flood of refugees from Bulgaria has stretched supplies of housing and employment, quite apart from the re-educa-tion demands of children who speak fluent Turkish, but who are literate only in Bulgarian The city's schools are shel-tering the most destitute refugees, numbering about 15,000. In a government school in Hurriyet (Freedom), a quarter of the city set aside for Bulgarian Turks in 1951, one average classroom houses 34 people or

ten families. The immigrant association's richer members have railied round with help for housing, education and work. Outside the gates of a large factory, for example, a about 90 immigrant families are housed in three



orderly rows of tents, equipped with an open-air canteen and latrines. The factory employs 100 of the camp's Bulgarian

Ethnic Turks found getting was easy compared with affordable permanent accommodation - rents have reportedly doubled in the past two months. Although a decision on alternative bousing is

expected in a month's time from Ankara, perhaps by build-ing new homes, Mr Sahinoglu admits to sleepless nights. He is worried that the refugees may grow too accustomed to state handouts. "If we support them for too long, they may get lazy," he said.

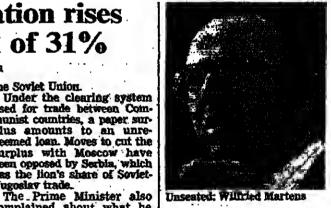
But the ethnic Turks have a reputation for hard work. More than half of the newcomers are

skilled workers or professionals, including 125 medical staff and 40 teachers, according to Mr Gencoglu. "The Bulgarian Government has made a mistake," he said. But trade union officials have complained about the new competition for jobs in a city previously without much of an unemployment problem. Many poor emigrés are pre-pared to work for cut-throat wages and long hours, the unions claim. The Petrol-Is union, for example, claimed 92 of its workers at three con-

cerns were sacked to make way for the newcomers.
Such charges might have been dismissed by Mr Gencoglu, but even city officials admit that the Bulgarian Turkaimit that the Bulgarian Turk-ish business elite has looked after its own. Many of the new arrivals in Bursa have found work industrial sectors dominated by Bulgarian Turkish entrepreneurs, such as the tex-tile sector which has employed 10.000 immigrants.

Immigrants at the tent camp, meanwhile, are grateful for the subsistence aid. They are still dazed by their uprooting from Bulgaria at short notice On a distinct the camp. visit to the camp, Mr Gencoghi was recently accosted by a stocky peasant woman as he was about to leave. She asked what would happen to them.

"Be patient." said Mr Gen-cogiu. "Wait another month, and then the Government will sort it out."



Belgium's premier 'unseated'

By Tim Dickson in Brussels

THE Belgium Government is safe but Mr Wilfried Martens, Prime Minister for nine and a half of the last ten years, has

finally been toppled.

The dramatic naws leaked out in Brussels yesterday when a cabinet spokesman con-firmed that earlier this week the 53-year-old leader swerved to avoid an obstacle in the road and was unceremoniously unseated from his beloved

The incident — in which he apparently broke a finger and injured his face — is more than just a silly season politi-

numerous successful election campaigns.

His recent fallibility, meanwhile, is more likely than not to provoke a wave of sympathy than speculation that he is losing his political balance, not least because of the potential impact of this week's "very spectacular accident" on a man who has recovered from a seriwho has recovered from a seri-ous heart operation in 1983. The spokesman insisted, how-ever, that all was well and that the tumble would not in any way interrupt his holiday

way interrupt his holiday plans.
Last year Mr Martens' long spell at the top of Beigian politics looked like finally coming to an end after an inconclusive election in late 1967 and a period of tough negotiations between the major parties. Characteristically, though, the great negotiator emerged from the pack to grab the yellow jersey and form his eighth coalition Government.

FINANCIAL TIMES

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AUGUST 4 1969

By Barbara Durr in La Paz

Section of the state of the sta THE BOLIVIAN parliament was expected yesterday to elect as president Mr Jaime Paz Zamora, candidate of the cen-tre-left Revolutionary Left Movement (MIR), who came only third with 19.6 per cent of the poll in the popular election on May 7.

The MIR agreed on Wednesday to form a national unity government with retired Gen-eral Hugo Banzer, chief of the conservative Democratic Nationalist Action (ADN). The choice went to parlia-ment because on Mary 2, no

ment because, on May 7, no candidate secured a majority. A new president is to be installed on Sunday. Mr Banzer (with 22.7 per

cent) and Mr.Paz Zamora came respectively second and third in May. Mr Gonzalo Sanchez de Loz-

ada, candidate of the ruling centre-right Revolutionary Nationalist Movement (MNR), then had the most votes - 23 per cent. However, he was unable to persuade either of the other two men to give him

Representatives, both Demo-

They contain big differences in

nuclear weapon priorities.

A Senate/House conference

will resolve the differences in

negotiations a month hence, and Senator John Warner,

senior Republican on the Senate Armed Services Committee, has said it will be "the most



Pragmatism buries another batchet: Hugo Banzer (left) and

ment as Mr Paz Zamora's continuity from the austerity policies of the outgoing President Victor Paz Estenssoro.

Veto threat to Savings and Loans rescue bill

By Peter Riddell in Washington

PRESIDENT George Bush yesterday threatened to veto a hill aimed at rescuing the Savings and Loans industry, in an attempt to intensify pressure on Congress to drop its insistence on including the initial costs of the bail-out in the

federal Budget. Mr Bush said it was essential to resolve the dispute this week before Congress starts its month-long summer recess. He complained that delays in the legislation have meant that insolvent Savings and that insolvent Savings and Loan bodies have amassed losses of \$6bn (£3.6bn) since the administration first proposed rescue legislation on February 22. He asked Congress to act within 45 days.

The argument is about how the initial cost of the rescue should be insulated from the rest of the budget.

The Rush administration

The Bush administration favours putting it off-budget in a special body, borrowing \$44bn - with \$6bn coming from the Savings and Loans industry.

However, Congress has proposed including this cost within the budget and exempting it, under a special waiver, from the Gramm-Rudman deficit reduction law.

In a letter to Congressional leaders yesterday, Mr Bush said that "exempting \$44bn in spending from the budget process would be unprecedented. It would also seriously undermine the future value of Gramm-Rudman as a source of budgetary restraint, risking adverse effects on both mar-kets and the economy." He said he was "prepared to

work with Congress to bridge the divergent positions on the financing issue" so as to preserve budgetary discipline.
The main administration

concern is over the danger of setting a precedent for later waivers of the law. Senator George Mitchell, Democratic Party majority

leader in the Senate, said the president's desire to exclude the bail-out costs from the federal budget was "fiscal gim-mickry at its worst" and would add \$5bn to the interest costs of the rescue.

Mexico offers tax breaks for repatriation of flight capital

Argentina

By Richard Johns in Mexico City and Peter Riddell in Washington

Philippines 11 Venezuela 15

CAPITAL FLIGHT (Sbn)

Compounded value of flight capital assets assuming pre-tax return of 8-nonth Liber.

15 principal middle-income leased eveloped countries in financial difficulties, as targetted by former US Treasury Secretary James Bater

Secretary Georgen Georgeny

Mexican residents who deposited funds abroad before

Wednesday of this week will

be liable for a modest tax on interest and dividends

vided by the international

Monetary Fund, the World Bank and Japan, as well as

Mexico's own contribution to

the \$7bn to be used to guarantee interest payments.

the new deal only applies to \$47bn of the \$53bn covered in

the negotiations with the

banks. Excluded is \$6bn of debt

contracted after 1983 - this

has been rescheduled with

repayment spread over 15

years with seven years of

On the basis of the US Trea-

sury and Fed projections, the cost of collateral for the deal

would be about \$2.7bn annu-

ally - \$2.2 bn for interest reduction and \$490m for princi-pal reduction. In addition,

interest foregone in funds used

as collateral would be more

than \$700m, according to Dr

Ramirez's formulation.

Ecanal also underlines that

1980 1982 1987

23 58

cost of the collateral to be pro- resources as the balance on the

By Our Foreign Staff

MEXICO has announced special tax treatment for investment returning to the country, in an attempt to lure back flight capital.

A recent agreement on

reducing the country's \$100bn foreign debt "has generated confidence in Mexico and desire among many investors to repatriate their capital," the Mexican Treasury said on

Wednesday. Officials hope the debt reduction agreement signed with foreign creditor banks last month will reduce economic uncertainty and stimulate private investment needed to revive Mexico's economy.

The new rules stipulate that

THE agreement between

hanks, on a reduction in its debt, may only involve an annual saving of about \$1.2bn,

depending on which options the banks take up, according to

calculations in Mexico.

There are three options open to banks participating in the

agreement: To provide new

money; reduce principal by 35 per cent; or lower the interest

rate they charge to 6.25 per

cent.
Mr Alan Greenspan, chair-man of the US Federal Reserve,

told a Congressional committee this week that the Fed has

nndertaken a bank-by-bank

analysis which suggested that a little more than 20 per cent of the accord would be new

The US Treasury scenario

money.

A maximum rate of 5 per cent will be applied to deposit made abroad before December 1984, and a rate of 3.7 per cent will apply to those made in 1985. Funds invested abroad from 1986 onward will not be

liable to tax.

Those liable may authorise commercial banks and brokerage bouses to retain the rele vant tax on returning capital This payment will extinguish all claims pending on capital invested abroad for the stated

Morgan Guaranty Trust, one of the main creditor banks for

current account less foreign

interest payments. The figure of 6 per cant was based on the

average net transfer of

resources over a six-year period during the last adminis-

tration, which dropped from

So Mr Pedro Aspe, Mexico's

13.5 per cent in 1983 to 3.4 per cent in 1988.

Finance Minister, was able to forecast last week – with such

a modest gain in prospect from

the debt reduction - that net transfers would fall to 2.7 per

cent in the first year, starting July 1 in 1989-90, 2.5 per cent in

1991-2 and 2.3 per cent in

bankers in Mexico is bow many of the creditor banks will

turn out to be "free riders"

rejecting the agreement and

insisting on Mexico honouring its existing obligations.

The big question for foreign

New York brancb. Mexico, estimates that \$84bn in capital left the country in 1977-1987. Debt accord may save \$1.2bn

Last August, the Securities and Exchange Commission obtained an order requiring Standard to pay into court money which it held in Hong Kong for various customers. including Mr Lee. Standard paid under protest knowing it might he exposed to proceed-

Bank wins

'double

appeal

Banking Editor

jeopardy'

By David Laecellee,

clash of jurisdictions.

STANDARD Chartered, the UK

international banking group, has recovered \$12.5m after win-

ning a closely-watched New York court case involving a

insider trading scandal involv-

ing Mr Fred Lec. a Taiwanese

dealing in New York, who transferred the disputed sum

of money to Hong Kong through the Standard Bank's

The case arose out of an

ings by the accountbolders in Hoog Kong. Standard appealed against the order oo the grounds that it was an innocent bystander and was in danger of double jeopardy. Three weeks ago it won the appeal plus costs, but the ruling was not announced until yesterday for technical

reasons. The case attracted considerable attention in government and banking circles because it implied that any foreign bank with a branch in the US might be required by a US court to pay money lodged anywhere outside the US. That would give US courts an extraterritorial jurisdiction which other countries could

not accept. Standard had been backed by the UK government, the Bank of England and numerous banking organisations,

US index down

THE US governmment's index of leading economic indicators declined 0.1 per cent in June. after a sharp 1.3 per cent fall in May, the Commerce Depart-ment said yesterday, Renter

reports from Washington.
The index bas declined in four of the past five months, and for two months in row. Three coosecutive declines, with some exceptions, have signalled recessions.

Jaime Paz Zamora shake hands on their unlikely political pact enough votes in parliament. The irony of the Banzer-Paz The irony of the

mer, when military president for most of the 1970s, perse-cuted the MIR and jailed many

of its members.
It was understood that, under the accord, the ex-general had secured for his party the key finance, foreign affairs and information ministries. Mr Banzer's vice-presidential can-didate, Mr Luis Ossio of the Christian Democratic party, will now be offered to parlia-

Congress split on defence funds By Peter Riddell, US Editor, in Washington

crat-controlled, have approved sharply contrasted US defence budgets for the coming year. over details. In particular, the House substantially reduced funding for key elements of the adminis-tration's nuclear strategy, such as the B2 stealth bomber the Strategic Defence Initia-tive, while limiting expenditure on putting the multiple-warhead MX missile onto rail has said it will be the most wagons to cover just research, difficult conference in a not production. The House also gave no money for develop-

oth chambers have backed ment of the single-warnes administration's request Midgetman.						
US DEFENCE BUDGET	OPTIONS					
Administration State Sta	\$4.45n \$4.55n \$1.15n \$100m Nothing \$255m	House \$3.7bn \$3.1bn \$600m Nothing 230m \$508m				
Spores are for Secol 1990						

THE Senate and House of for total spending of \$305bn in Further, the chamber bowed fiscal 1990, which starts this to strong constituency pressure in providing money for the Navy's F-14 fighter aircraft and the V22 Osprey vertical-October, the disagreement is take-off aircraft for the Marines, neither of which the Defence Department wants.

Under the influential lead of Senator Sam Nunn, Armed Services Committee chairman, the Senate created a version much nearer to that of the administration, especially on strategic weapons. However, it refused to give unqualified long-term support to the B2 project and insisted that the bomber needed to fulfill flight and

We urge those holding unfounded fears to forget

them." This was an attempt to

calm the country's political and economic uncertainty. In

recent days, some \$60m have

been withdrawn from banks.

Mr Paz Zamora, whose party belongs to the Socialist Inter-

national but is much changed

from its left-wing militancy of

the 1970s, also tried to allay

financial worries by promising

radar-evasion tests. The Senate also agreed with the administration in providing no money for more F-14 fighters and agreed only to testing of the V22 Osprey, rather than full production, as approved by the House.

for the three options is that 20 per cent of the banks will opt to exchange loans, at a 35 per cent discount, for 30-year US Treasury zero-coupon bonds, Ecanal points out that a potential weakness of the accord is the lack of any base Under the same hypothesis, with 20 per cent of banks and that 60 per cent of them will opt for similar paper at par value but paying only 6.25 per choosing to grant new loans date for measuring the expoequivalent to 25 per cent of their current exposure, Mexico sure of each bank. As a result, "Mexican paper can continue to change hands until the day could expect \$2.35bn in fresh credit over a four-year period. The latest edition of the the operation is closed, a tenta-Ecanal calculates the annual sum of savings and credit over four years from mid-1989 to be tive date being next November." As it is, about 15 per cent of Mexican sovereign debt is respected newsletter Ecanal says that the gains would be greater if a proportion higher than the expected fifth of the believed to have been traded in \$2bn gross or about 1 per cent 530 banks were to choose a reduction in principal. In assessing the net savings to Mexico of the deal, Dr Rogelio Ramirez de la O, author of Ecanal, emphasises the heavy the secondary market. The Government's target is The exact figures for banks to reduce the net transfer of resources from more than 6 per-cent of GDP to 2 per cent. It defines the net transfer of reach their decisions.

taking up each option will be

A message from Lloyds Bank to Abbey National Shareholders

Lloyds Bank sincerely apologises to Abbey National plc, to those shareholders who were previously inconvenienced by errors at Lloyds Bank Registrar's Department and those who are still awaiting their share certificates and refund cheques.

It is now evident that a significant number of certificates were destroyed by fire at a mailing house involved in the despatch of letters to shareholders. The Police are investigating and every effort is being made to establish the number and precise identity of the documents involved.

If you have already sent in a coupon or share replacement form take no further action. If not, please complete the coupon below.

Lloyds Bank will consider claims for out-of-pocket interest costs from shareholders receiving replacement refund cheques. Claim forms will be sent with the replacement certificates/replacement refund cheques. Shareholders should note that Abbey National will pay interest (back dated to 12 July) on all refund cheques paid into Abbey National investment accounts.

The verification process is bound to take some time but Lloyds Bank is doing all it can to trace the missing documents and to bring this unprecedented problem to a speedy conclusion.

Every effort will be made to issue replacement certificates and replacement refund cheques within two weeks of the receipt of requests.

Action for shareholders is detailed below.

 You have not received your share certificate or refund cheque and have not yet sent in a coupon such as the one below. Please complete the coupon below and return it in an

Complete coupon if

oyds B	ank Plc,	FREEPOST	BR2747,	Goring-by-Sea,	Worthing,	West Sussex	BN12 4ZZ.
				will be declaring that:			, in the second

You have either not received the or cheque(s) in question. BLOCK LETTERS PLEASE Mc/Mrs/Ms	e Share Certificate(s)	your possession at	rate(s) or cheque(s) come(s) into any time in the future, you will Registrar for cancellation.
Forename(s)	Surname:	Address:	
		Postcode:	Tel. No: (STD Code)
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Japan will transfer | Hong Kong to go ahead with airport in early 1990s technology to EC in response to 1992

By Stefan Wagstyl in Tokyo

JAPANESE companies will respond to the 1992 economic integration of the European Community by transferring technology to Europe in order to avoid trade friction, says a report* from the Industrial Bank of Japan.

Japanese groups will do this by shifting to the EC core production processes, design and research and development centres and nurturing local suppli-ers. The transfers will be greatest in mass-prodoction industries where there is the greatest gap between Japan and Europe - cars, consumer electronics, electronic parts and office equipment, says the

and office equipment, says the BJ report.

As a result, business links between Japan and Europe will be strengthened through increased investment in the EC

by Japanese companies.
The bank's hard-hitting report says the EC states will naturally strive to protect, through various barriers, their weakest industries. It says Europe is strong in industries which rely on traditional technologies, including food, chemicals and pharmaceuticals, and those which deliver made-to-order products, such as machine tools and construction machin-

But in mass-production industries EC companies are inferior in competitiveness to tbeir Japanese counterparts. These industries are strategically important to the economy of a country, hence the rising conflicts between the EC and Japan," says the IBJ. The report singles out sev-

eral reasons for Europe's industrial weaknesses. It says the small size of national markets has hamstrung companies except for those such as chemicals groups which became mul-tinationals at an early stage in development. Governments have exacerbated the problem by nurturing national leaders in key industries leading to monopolistic market structures, killing market forces in a country while leading to an overcrowding of companies in

the Community .

IBJ says European culture, which retains a strong empha-sis on class distinctions, encouraged the production of high-quality hand-made prod-ucts for individual customers rather than mass-production. Conservative managers made things worse by diversifying late into new technologies and insisting on state-of-the-art

In this context, the bank forecasts Japanese companies will be welcome in the EC in proportion to the size of their technology transfers. Creating jobs will not be enough, says John Will not be enough, says
IBJ. Only, the best-regarded
Japanese groups will be able to
cope with the "great management burden" of dealing with
the EC's requirements.

*IBJ Review: EC 1992 and Japanese Corporations, IBJ, 1-3-3 Marunouchi, Chiyoda-ku,

S African groups extend disobedience campaign

By Patti Waldmeir in Johannesburg cricketers could also be a tar-

SOUTH African anti-apartheid groups have said they will extend their civil disobedience campaign to include segregated schools, parks, swim-ming pools and mining facili-ties. after the success of Wednesday's challenga to

whites only health care.

A spokesman for the National Union of Mineworkers (NUM) said the campaign could involve stoppages on the mines, where the NUM claims racial segregation is still found in areas such as wage policy, conditions of employment and housing, as well as in lifts, toilets, changing rooms and

sports facilities. Anglo American, one of the largest mines employers, denies it practices segregation

on the basis of race. Black sporting bodies also warned that next year's rebel tour of South Africa by English get for disruption.
Wednesday's hospital protest, which was well organised and non-violent, appeared to mark a significant departure from the anti-apartheid opposition's previous strategy of mass mobilization mass mobilisation.

Three years of mass deten-tions and restrictions on political activity under the state of emergency have clearly forced a reappraisal of the strategy of protest politics, with the oppo-sition now appearing to favour a more targeted and controlled

The campaign is timed to coincide with the run-np to which exclude black participa-tion. A so-called "workers' summit" is due to be convened later this month to decide wbether the campaign will culminate in a general strike.

Madagascar agrees \$3m debt-for-nature deal

By Nancy Dunne in Washington

A \$3m debt-for-nature swap has been agreed with the Cen-tral Bank of Madagascar, seven commmercial banks and US

The deal, announced yesterday by the World Wildlife Fund and the US Agency for International Development (USAID), is likely to be the first in a series of similar pro-jects in Africa to promote con-servation efforts while reducing developing country debt.
Seven commercial banks
from five countries, led by Bankers Trust Company, are

participating in the swap which pays out 45 cents on the dollar of Malagasy debt. The US foreign aid agency will underwrite up to \$1m of the funding costs as part of a

larger debt-for-development programme launched last year.

The banks participating in the swap, basides Bankers Trust are: National Westminster of the UK Dresdner of West Germany, Amro of the Netherlands, Banque de l'Union Europeenne, Credit Commercial de France and Sociéte Générale of France.

Madagascar, the world's fourth largest island and one of its poorest countries, is considared by environmentalists to be "a living laboratory of evo-

Thousands of species have been lost over the centuries including tha elephant hird, giant tortoises, and the pygmy hippo.

HONG KONG'S Government is planning to announce in mid-October that it will build a new international airport in the early 1990s which will cost around HK\$60hn (£4.6bn) and will give the colony's economy an urgently needed mediumterm boost.

term boost.

This will replace highly congested facilities at the existing Kai Tak airport, which is the sixth husiest airport in the world in terms of passengers handled and will reach its maximum runway capacity in 1991.

Sir David Wilson, the governor, will announce the new airport in his annual speech at the opening session of the colony's legislative council. The decision to go ahead has been put off for many years. Now it is seen by the Government as an important boost for Hong an important boost for Hong

NZ Cabinet

By Terry Hall in Wellington

MR Roger Donglas, New Zealand's former minister of

finance who was sacked by

Prime Minister David Lange for disloyalty eight months ago, was yesterday re-elected to the Cabinet by fallow MPs. It is not known what portfo-

lio Mr Douglas will be given, but Mr Lange has said it would be a low-ranking one

away from the economic area.

His return to the Cabinet comes after a piedge of loyalty to Mr Lange. But he also

promised to continue to press for his own policies which are at odds with the social welfare

and industrial targets of the

The bitter wrangling is expected to continue. This could prove unsettling in the long term to financial mar-

Mr Douglas, who lent his

name to Rogernomics, the reform programme of the

missed after a year-long strug-gle which began when the Prime Minister rejected his

economic package.

When Mr Douglas said publicly he could not work in a Cahinet led by Mr Lange, he was dismissed. Since then he has been involved with Mr Richard Prehble, a fellow sacked minister, in two bids to overthrow the prime minister.

new Cabinet. Mr Donglas

made a last-minute decision to

agree to nomination saying he

had been pressured by MP sup-

A group of Douglas supporters believed, that Labour needed him in the Cabinet to

needed him in the Cabinet to help its re-election prospects, to push his economic policies and to ease the row with Mr Lange which they believed was electorally damaging. They appeared to ignore the latest polls which show a sharp surge in support for Mr Lange and the Labour Party.

SOUTH African police said

yesterday they seized lvory taken from at least 53 illegally

slaughtered elephants as it was

delivered to Cape Town for export, Renter reports from

Johannesburg.
The newly-formed Endangered Species Protection Unit

and conservation officials

seized 106 elephant tusks and a rhino horn on Wednesday in the higgest police haul of ille-

gal ivory, police chief Commis-sloner Hennie de Witt seid.

Cape Town

ivory haul

Government, was dis-

Douglas

back in

Kong's confidence and economy in the waka of recent events in China.

An expected decline in economic growth this year has worsened in the aftermath of the Tianammen Square massacre hecause of Hong Kong's close links with China's conclose links with China's economy. Financial analysts are suggesting that the rate of growth in gross domestic product will drop this year from an expected 6 per cent to 7 per cent in real terms to between 4 and 5 per cent, compared with 7.2 per cent last year and 13.8 per cent in 1987.

Sir Piers Jacobs, financial secretary, says that an esti-

secretary, says that an esti-mate of 4.8 per cent made by the Hang Seng Bank for this year is "not unduly pessimis-tic".

Analysts are predicting a

further decline to between 2.5 and 4 per cent next year when Hong Kong is expected to be hit harder by China's economic problems. But Sir Piers says that he is sticking to a plan-ning assumption of 6 per cent growth for the next five years because of the expected impact of infrastructure projects from about 1991 onwards.

These projects include the airport, with allied large scale road and other facilities, a new container port, and other pub-lic works. The favourite site for the airport is on partially reclaimed land adjacent to an islet called Chek Lap Kok north of the large island of Lantau. There would be space fur two international-length runways, although only one might be constructed in the first stage. The target opening

date is 1997.
Schroders Asia, the Government's financial advisers, has produced a private report which says that the project is commercially visible and that international financial markets could be expected to contribute deviate the despite the recent events in The Government sims to

have a three to one debt equity ratio and does not expect to have to provide guarantees. It hopes to use some money from a HK\$12bn fund which is being expected to have to use such projects to pump prime the

built from proceeds of government land suctions to provide substantial reserves for the new administration which will run Hong Kong after China regains sovreignty in 1997. The Government has always

conomy in the early 1990s economy in the early 1990s when private sector investment is expected to fall off as
the 1997 approaches. This has
become more argent following
the recent events in China.

Hong Kong's ecomomy is
closely linked to China because
of its role as an entrepot. There
are also some 2m workers
employed by subcontracting
factories in the southern province of Guangdong processing
goods for Hong Kong companies.

The cyclical slowdown in the economy before the June events is demonstrated by figures for the first half of the year which show that Hong Kong's domestic exports rose by only 3 per cent compared with 10 per cent in the second half of last year. Re-exports of goods being processed in China

rose by 36 per cent compared with 46 per cent. In the first half of this year re-exports amounted to 61 per cent of total exports compared with 55 per cent last year.

There are some advantages for Hong Kong in the slow-down because the colony's aconomy was over-heated. Some of the pressure on the tight labour maker has eased, although employers still say there are seriously short of labour and want to be able to import unskilled workers.

The Government is only prepared to import skilled workers and yesterday announced that it is allowing companies to bring in 2,323 people for the construction, engineering and electronics industries. About 75 per cent of them will come from China.

Iran's new president faces growing pressure on hostages

By Kamran Fazei in Tehran and Victor Mallet in London

HOJATOLESI.AM Ali Akbar Hashemi Rafsanjani, the most powerful man in Iran, was sworn in as executive President yesterday in the midst of the Lebanese hostage crisis and the related power strug-gles in franian politics. Although regarded in the

West as a pragmatist who will gradually moderate the radical Islamic stands taken by the late Ayatollah Khomeini, Mr Rafsanjani reaffirmed his revo-lutionary credentials in an emotional speech.

"Despite the poisonous pro-paganda saying the Iranian nation is setting its hopes on a new era, I am confident that we and our people will accept

we and our people will accept nothing but the path of Imam (Khomeini), which is the path of Islam and the Koran," he said at the ceremnny in a mosque attached to Khomeini's

mosque attached to Knomemi's north Tehran home.

Mr Rafsanjani made no mention of the hostage issue in yesterday's speech, which was probably directed at his domestic audience, but he is under intense international pressure to intervene to ever the host to intervene to save the hos-tages. Tha US has made appeals to Iran through intermediaries such as West Germany with embassies in Teh-ran, and has not ruled out use of force against Iranian targets.

only hours before the expiry of a twice-postponed deadline for the "execution" of Mr Joseph Cicippio, a US hostage, by a pro-Iranian group in Lebanon. The new President and his allies have sought to dissociate allies have sought to dissociate fran from the kidnapping and killing of hostages in Lebanon, but they face public apposition from within the ranks of the Iranian Government. It is no surprise therefore thet Mr Rafsanjani is expected to drop at least one hardlinar when he names a new cabinet after the Iranian parliament reconvenes in mid-August following the summer recess.

Mr Rafsaniani was sworn in

summer recess. Hojatolesiam Ali Akbar Mohtashemi, the Interior Minister who helped to set up the radi-cal Lebanese movement Hizbol-lah, could be replaced by Hojatolesiam Nategh Nouri, his old rival and predecessor in the job. Hizbollah has been linked to a series of kidnaps in Leba-non and was established with Iranian assistance in 1982, when Mr Mohtashemi was

ambassador to Syria.

After Israel kidnapped
Sheikh Abdul Karim Obeid, a
Shia Moslem leader in south
Lebanon, last week, Mr Mohtashemi suggested retaliation against the US and Israel. Subsequently a Lebanese Shia

group thought to be tied to Hiz-bollah announced the hanging of US hostage Lt Col William Higgins. Amnng those ministars expected to stay in the Cabinet is Dr Ali Akhar Velayati, the

comparatively moderate For-eign Minister. Mr Raisanjani is committed to rebuilding the Iranian economy following the damaging eight-year war with Iraq, and is expected to seek assistance from the West as well as from the Soviet Union. Whatever the intentions of Mr Rafsanjani and his chief ally, the new revolutionary leader Ayatollah Ali Khame-nel, their room for manoeuvre is avidently limited by Khois avidently limited by Kho-meinl's radical political legacy. A joint statement by Mr Raf-sanjani and Mr Eduard Shev-ardnadze, the visiting Soviet Foreign Minister, condemning the killing of Col Higgins was reported by the Soviet news agency Tass but ignored by most of the Iranian media. Mr. Rafsanjani was installed

Mr Rafsanjani was installed as President at a gathering preas President at a gathering pre-sided over by Ayatollah Kha-menei. It was Khomeini's son Ahmad who read out the Aya-tollah's decree confirming Mr Rafsanjani in his post, another sign Ahmad has been co-opted by the dummvirate controlling

Palestinians edge closer to Israeli Labour

By Hugh Carnegy in Jerusalem

President Ratsanjani (left) and Ayatollah Khamenei listened to the reading of a decree confirming the new president yesterday

overthrow the prime minister.

After surviving a vote against him in June, which he won by some eight votes, Mr Lange nevertheless said he would allow MPs to vote for a new Cabinet. Mr Population LEADING Palestinians in the occupled territories and the Israeli Labour Party appear to have signalled converging positions on proposals for elections in the West Bank and Gaza Strip during a visit by a senior

US State Department official.

A tacit agreement between them on conditions for holding elections would step up the prassure on Mr Yitzhak Shamir, the Prime Minister, whose right-wing Likud party takes a much harder line on the election proposal than its Labour coalition partners.

with a speech reasserting his commitment to the PLO's cur-

rent peace strategy but stress-ing that the Palestmians would

not abandon legitimate armed struggle against Israeli occupa-

tion.
Addressing more than 1,000
Fatah members, assembled for

the first time in nine years

By Jihan el-Tahri and Lamis Andoni in Tunis

MR YASSIR ARAFAT, leader amid tight security, Mr Arafat of the Palestine Liberation said that the Palestinian

Organisation, yesterday peace initiative, which calls for opened the fifth Congress of his mainstream Fatah group pendent Palestinian state

Last month, Labour threat-ened to bring down the Gov-ernment because of the Likud stance on the Government's peace initiative which envis-ages elections being followed by interim Palestinian self-rule and eventual negotiations on a final settlement. The party was persuaded to back down by assurances by Mr Shamir that he intended to press forward with the initiative.

More than a dozen prominent local Palestinians yester-day presented a memorandum on the Israeli proposal to Mr

alongside Israel, was "irreversible".

this did not imply forsaking armed struggle against Israel. He renounced terrorism last December to pave the way for

a dialogue with the US. But

yesterday he drew a distinction between terrorism and legiti-

But Mr Arafat indicated that

Arafat reasserts peace strategy

John Kelly, the visiting US assistant secretary of state. In it they rejected the plan as it stands. They said an election agreement must include a commitment to Palestinian self-determination and called on the US to implement Washington's commitment to an exchange of land for peace as the basis of a

settlement.
Unlike Likud, which refuses to countenance any territorial concessions, Labour policy includes a land for peace formula - though not the return of all lands captured by Israel in

gie which provided the organi-

matic option.

the 1967 Six Day War. In another significant development, Mr Shimon Peres was quoted as telling Mr Kelly in a meeting on Wednesday that he would not abject to "two or three" Palestinians from outside the occupied territories being included in a Palestinian territories for team in negotiate terms for elections. This idea, put for-ward in talks with the US by the Palestine Liberation Organisation, has been dismissed out of hand by Mr Shamir and also rejected by Mr Yitzhak Rabin, the Labour Defence Minister.



Indian troop pullout deal iaces problems By David Housego in New Deihi

A POTENTIAL agreement between India and Sri Lanka over Indian troop withdrawals from Sri Lanka ran into diffi-

culties yesterday. Sri Lanka is understood to have reproached the indian government for backing down from positions on which it believed a consensus had been reached. In particular in talks yesterday India is said to have imposed conditions on a sus-pension of hostilities by Indian

pension of hostilities by Indian troops against the Tamil Tigers, the main Tamil guerrilla force seeking a separate Tamil state in the north.

The Indians, who confirm that they are prepared for a ceasefire "at an appropriate stage" were said yesterday by Sri Lankan officials to have offered a ceasefire for my a offered a ceasefire for only a limited period. This was said to have been unacceptable to President R. Premadasa who, it is claimed, had obtained guarantees from the Tigers they would not attack the 45,000 Indian peacekeeping force or other militant Tamil factions. It would appear that both sides are encound in lest minsides are engaged in last min-nte brinkmanship

Glimmer of peace across the Cambodian 'killing fields'

Robin Pauley assesses the chances of success for the international conference which began in Paris this week

centre in Paris where the first phase of the international conference on Cambodia took place this week. Delegates congratulated themselves on making the sort of progress in two days that has been known to take many weeks (Afghanistan peace talks) or many years (Vietnam peace talks). But the giee is certainly pre-

As if to reflect the thorny road ahead two Saffron-robed Bhuddist monks stood ontside the centre throughout, not beaming hut praying hard to the slow beat of a

All that bas bappened so far is that the conference attended by no fewer than 16 foreign ministers and all parties to the Cambodia dispute together with Mr Javier Perez de Cuellar, Secretary General of the United Nations, has agreed to set up working committees to get down to trying to iron out a range of serious obstacles dividing the factions and draft a comprehensive peace treaty for the full conference to consider when it reconvenes on August 28.

Getling that far is quite an achievement given Cambodia's trou-bled 36 years of independence. Since

HERE was a good deal of beaming in and around the Avenue Kleber conference Sihanouk the country has been in sinanous the country has been in the grip of civil war. In 1975 Pol Pot's Khmer Rouge guerilla forces ousted Lon Nol's feeble administration and began a four year reign of terror, littering the "killing fields" with the bodies of a large portion of its 8m citizens estimates range from around im upwards.

Pol Pot was brought down but not out by the Vietnamese invasion in December 1978 which was supported in principle and with cash by the Soviet Union. In over a decade of bloodshed the Vietnamese have been unable to eliminate the Chinesebacked Khmer Rouge; the coalition of three resistance parties under the increasingly mercurial leadership of Prince Sihanouk including the Khmer Rouge have been unable to defeat the Vietnamesa and hring down the Phnom Penh government of Hur Sen

of Hun Sen. Until last year Hun Sen and tha resistance had not even spoken, lat alone negotiated, with each other. But the super-powers, growing tired of regional conflicts, started to put on pressure for a settlement. The Soviet Union warned Vietnam it would no looger fund the occupa-tion. Vietnam, anxious to return to

The Cambodian Government, facing a likely civil war after Vietnam withdraws its troops in September, has introduced threeyear conscription for men over 18, Reuter reports from Bangkok. Phnom Penh has an army esti-Phnom Penh has an army esumated at 40,000 troops, mainly infantry, against 20,000 to 40,000 Chinese-supplied insurgents.

the international fold and to gain access to western aid and credit, announced a full withdrawal which will be completed by September 26. China, increasingly annoyed by the international opprohrium it tha international opprobrium it attracts for its support of the ruth-less Khmer Rouge, encouraged the resistance groups to negotiate and China's determination not to allow its clients to be hiamed for the collapse of the conference in its first phase resulted in some strong armitwisting on Monday night to force the Khmer Rouge not to scupper the proposed agreements.

proposed agreements.

The US, also anxious to appear flexible, has moved away from its insistence that there should be no future role for the Khmer Rouge. Now the difficult work begins. The first working committee, chaired jointly by India and Canada, has to

work out how to introduce a cease-fire and how to set up and operate an international mechanism to over-see all aspects of the settlement

This means the following four

jected to abuse by them including prolonged hrain-washing; Khieu Samphan, the current Khmer Rouge leader who is widely regarded as a front man for Pol Pot and who despises the Phnom Penh "puppet government"; Son Sann, a Frenchan international mechanism to oversee all aspects of the settlement including Vietnamese withdrawal.

The second committee, chaired by Laos and Malaysia, has to come np with acceptable ways for all countries at the conference to guarantee the sovereignty, independence, territorial integrity and neutrality of Cambodia and to ensure that all foreign interference ceases including the sending of troops and arms.

The third committee, chaired by Anstralia and Japan, will propose ways of allowing refugees to raturn home and draw np a plan for the reconstruction of Cambodia. Japan has already promised to provide very large but unspecified amounts of cash for reconstruction.

In addition there will be an ad hoc committee chaired by the co-presidents of the conference - France and Indonesia - which has the hardest task of all: to look for a way of setting up a quadri-partite interim government under Prince Sihanouk responsible for organising internationally supervised free elections.

This means the following four groups have to agree to share the educated pro-western former prime minister and leader of a moderate resistance faction who has lived in exile for more than 20 years; Hun Sen, a former Khmer Rouge activist who fied to Vietnam to escape a purge in 1977 and returned to be installed as prime minister after the Vietnamese invasion. The problems for this committee cannot be over-stated and all are made worse by the deep personal animosity between Khieu Samphan and Hun Sen. An important decision this week

was the unanimous agreement to accept Mr Perez de Cuellar's personal offer of a UN fact-finding mission to leave for Cambodia immediately and to report back on technical information which might help the ceasefire and control committee.

This decision matters because it gets the UN involved at last in spite groups have to agree to share the interim government, agree to elections and to abide by the result: of the contentious issue of the Cam-bodian seat at the UN being occu-pied by the resistance rather than may not be enough.

the Hun Sen government. What to do about the seat is going to be a tricky issue this month; the answer may lie in an informal agreement for no-one to occupy it without its being declared vacated or vacant. Prince Sihanouk who was not only ousted by the Khmer Rouge but sub-The UN team will discover, if the rains which have already started do not halt their progress altogether, why the Khmer Rouge force often estimated at 40,000 but more likely

estimated at 40,000 our more likely to be as low as 15,000 to 20,000 has been able to survive against a total of 200,000 Vietnamese troops over 10 years and remain in control of large areas of western Cambodia: the terrain of their strongholds is a mixture ble jungle where malaria is endemic.
The working committees bave a
hectic schedule ahead. When the full hectic schedule ahead. When the full conference reconvenes tha results may well be the acid test of the Soviet Union and, more particularly, China. Prince Sihanouk and Son Sann have declared in advance that they will not use their veto over anything, Hun Sen and Khleu Samphan have not. It is not surprising the two monks in Avenue Kleber were so stony-facedserious, still tapping their drum long after the delegates had beauted away. There is gates had beamed away. There is still a lot to pray for - and prayer

Kim Dae Jung released

SOUTH Kerean security police yesterday released Mr Kim Dae Jung, the country's main oppo-sition leader, after a 20-hour

sition leader, after a 20-hour interrogation over alleged links to North Korea, Maggie Ford reports from Seoul.

Mr Kim, who has strongly denied a report that he wrote to North Korean President Kim Il Sung, said the security police had offered no evidence of any wrongdoing. They obtained a court order to question Mr Kim after it was revealed a politician in his Party for Peace and Democracy secretly visited

cian in his Party for Peace and Democracy secretly visited North Korea last year. Contacts with the commu-nist North are banned under the South's security laws and a space of recent visits to Pyon-gyang by South Koreans has angered conservatives. A woman student and a

A woman student and a Catholic priest held a five-day hunger strike at the border village of Panmunjom last week and are appealing to be allowed to cross the demilitarised zone.

Earlier this year the Rev Moon Ik Hwan, a protestant minister and the brother of the denuty leader of Mr Kim's

deputy leader of Mr Kim's PPD, visited Pyongyang and met the Northern leader. He is now in jail

THE US made it clear

yesterday that the suc-cess of the multilateral

talks on the liberalisation of

world trade depends on their

being completed on time in

December 1990. President George Bush's administration would have neither the oppor-

tunity nor the disposition to go

beyond that deadline, Mr

Rufus Yerxa, Deputy US Trade Representative and Ambassa-dor to Gatt, said.

Dismissing the argument that the three-stage programme agreed last week by Gatt's 96 member states of the

General Agreement on Tariffs and Trade was unrealistic, Mr

Yerra said it was not only real-

istic but essential to the success of the Uruguay Round.

to notify Congress by March 1,

1991 of agreements reached in the Gatt talks. It could not let

the deadline slip without asking Congress for negotiating anthority for another three years and there was "no way"

if would do that.
Under the timetable outlined

by Mr Arthur Dunkel, Gatt's

Director General, governments will have to spell out their positions on all 15 of the trade

issues under negotiation in the Uruguay Round by the end of this year.

Between January and August next year negotiators would be expected to strike

deals and write draft agree-ments. From September onwards these would be put

together into a comprehensive

trade-liberalising package for presentation to trade ministers

at a final meeting in Brussels between November 26 and

Without the pressure of this programme and deadline gov-

ernments would hold back and

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By Nancy Dunne in Washington

TWO infinential Republican senators are developing plans to create an agency to oversee US export controls in the hope of ending the bitter inter-agency fending which has slowed governmental approval of sensitive high technology

The senators are usually ranged on opposite sides of the fence, with Senator John Heinz of Pennsylvania favouring the liberalisation of controls and Senator Jake Garn of Utah backing Pentagon concerns over national security.

Both agree, however, that the present structure govern-ing export controls, which gives responsibility to the Commerce and State depart-ments and the Pentagon, is hampered by "bureaucratic warfare and procedural manager. warfare and procedural uncer-

In a separate initiative, Mr Heinz has written to Mr James Baker, the Secretary of State, to urge development of a liberalising technology transfer pro-

gramme for Hungary and Poland. The scheme would include

adoption of a "differential" adoption of a "differential" similar to the "greenline" negotiated for China within the Coordinating Committee for Multilateral Export Controls (CoCom), the body that oversees the export of sensitive technology to the Eastern Bloc, which permitted sales of higher level technology than that going to the USSR.

The Senator also called for

The Senator also called for government-to-government customs agreements and stra-tegic trade agreements with Poland and Hungary, which would allow the US to investigate and correct breaches of customs law. The aim would be

to ensure that technology had not been illegally diverted. "The changes taking place in the Eastern Bloc afford us unprecedented challenges and opportunities to begin a new, more co-operative era in East-West relations," Mr Heinz said

Super 301 condemned by Latin **Americans**

TWENTY-SIX Latin American and Caribbean nations have rejected and condemned uni-lateral sanctions contemplated under the so-called Super 301 provision of the 1988 US trade law, Reuter reports from Cartagena, Colombia.

The statement, issued on the

final day of a ministerial meeting of the 26-nation Latin American Economic System (Sela), said the trade law's prois for the imposition of unilateral sanctions were con-trary to the norms and principles of Gatt.

The statement recalled that, in addition to Washington's list published in May of countries it considered had hindered trade and investment, the US also cited six Latin American nations as not prointellectual property rights.
The ministers of Latin

America and the Caribbean energetically reject and cen-sure these actions which, like other trade sanctions that the United States of America con-tinues to apply to the region's countries, cause serious harm to our economies," the Sela

statement said. Under the trade law, Washington could consult and nego-tiate with these countries and, if no accord was reached, it

could impose sanctions.

Brazil, together with Japan and India, were cited by the US as countries whose trading activities would have to be subject to negotiations and possible counter-measures under Super 301. But Washington also identi

fied Argentina, Chile, Colombia, Venezuela, Brazil and Mexico as not providing adequate protection for intellectual property rights, according to the Sela communique. Mrs Carla Hills, the US Trade Representative, will make her first visit to Geneva, the forum for the multilateral trade

US sets a cracking pace for Gatt

talks, on September 12. She will attend a meeting of the US private sector advisory committee on investment policy which is being held in Geneva, to coincide with a meeting of the group negotiating on irade-related investment measures, one of the "new" items on the agenda of the Uruguay Round.

Mrs Hills will meet Mr Arthur Dunkel, Gatt Director General and senior negotia-

General, and senior negotia-tors from other countries before flying to Bonn, Paris and London for talks with the West German, French and It set a nerve-wracking schedule hut, "if we are really serious about producing results, we can live with it." The Bush administration had British trade ministers.

procrastinate, Mr Yerxa said. In an interview, the 38-year-old ambassador, who has just concluded the first three months in his job in Geneva, argued that the Bush administration had already started to dispel the initial flurry of condemna-tion it provoked, when under clause 301 of its new Trade Act it named Japan, Brazil and India in May as unfair traders. Washington's demand that these three countries should enter bilateral talks under threat of retaliatory action to settle specific trade complaints from US industry, was seen in Gatt as inconsistent with the US commitment to the multi-

lateral trade talks.

Mrs Hills and the Bush administration had "gone that extra mile" to demonstrate that they were taking a pru-dent approach to the obliga-tions placed on them by the 301 legislation and were looking for multilateral answers.

Much of the build-up within US industry and business for solutions to trade complaints was now being funnelled into

Rufus Yerxa: setting a nerve-wracking schedule

the Round. A programme was announced last month to extend for a two and a half year transitional period US vol-untary restraint arrangements with other countries on steel imports specifically aimed et achieving through the Round an international consensus on subsidy practices that would restore fair and open world

trade in steel products.
The \$60bn governments had paid to support steel industries in the 1980s was "obscene" in trade terms, Mr Yerxa said. Washington was now asking them to step back all at the same time, to apply real disci-pline to subsidies and to open up markets to competition. The Trade Representative's Office was taking a similar approach to American shipbuilders' complaints about other governments' supports for their ship-building industries.

US industry and business were being told that the Busb administration recognised its responsibility for addressing their concerns but believed that the first forum for

William Dullforce meets America's man at the Geneva trade talks addressing them was the Uruguay Round. In order to generate the surpluses on the trade and external accounts required to pay off nearly a decade of ficits, the US "inescapably had to work for the broadest possible participation in a world trading system. But, Mr Yerxa emphasised,

the multilateral approach had to secure results. The outcome of the Uruguay Roond could not just peper over loopholes in Gatt that kept a large part of world trade, such as agriculture, services and high technology, out of its purview.

Reform of world farm trade

was as big an issue as ever for the Bush administration, Mr Yerxa said. Governments still had a lot of homework to do but the deadlock-breaking egreement reached in April offered e good format for pushing ahead with the talks in the Uruguay Round. The US, having just tabled its proposals for converting border restraints into tariffs and then reducing them, was working on a paper on rules and disciplines, which would cover export subsidies and domestic farm supports. It hoped to present the paper in

The US now bas a better understanding with the European Community over trade matters than it had six months ago, according to Mr Yerxa. but Mrs Hills and Mr Frans Andriessen, the EC External Affairs Commissioner, had established e good working rapport and this was reflected

among senior negotiators.
Mr Yerxa said Washington
was "very enthusiastic" about Gatt's new trade policy review mechanism, of which the US is to be the first target this year. The administration would make available "every ounce of information and every official they want to see" to the Gatt review team.

Majority of US executives predict post-1992 restrictions

By David Waller in London

TWO-THIRDS of senior US executives are convinced that the European Community will set up significant trade barriers to non-EC countries in the aftermath of the creation of the single European market at the end of 1992, according to a report published by KPMG, the international accounting firm.
Opinion is divided on the impact of 1992 on US business in general, but the survey of 872 top husinessmen in the high-technology, manufacturing and transport eectors shows that US companies are busy formulating and implementing strategies to deal with

the challenge of 1992.

More than 40 per cent believe that the EC's dismantiing of internal barriers will have a negative economic impact on US business in gen-eral, with 36 per cent thinking that the impact will be post-

impact either way. Moreover, US executives are convinced that Asian countries and European states outside the EC have more to lose from any protectionist upsurge than the US.

Only a fifth of the businessmen polled - 60 per cent of whom are chief executives - believe that the single European market will be in place on schedule, by midnight on December 31, 1992.

Nearly four in 10 (37 per cent) are actively formulating a strategy to deal with the challenges of 1992; 33 per cent claim to have started putting their plans into action already. Nevertheless, there is a near consensus (87 per cent) that

strategic alliances between US and EC companies will be necessary and that US companies will have to increase their manufacturing presence in Enrope.

be needed in order to succeed in the single market. Marketing and distribution

are the key areas for moving ahead in Europe, with 58 per cent thinking that the most important focus for husiness development in the EC is the possibility of marketing products more widely.

The most recent brawl over

export controls occurred last

month when Mr Robert Mos-

bacher, the Commerce Secre-

tary, eased curbs on personal computers export to Western

destinations and sought simi-

lar liberalisation within CoCom. Mr Richard Chaney,

the Defence Secretary, publicly

criticised the decision and said it would give the Soviet Union increased military capabilities. Mr Heinz said such disputes

could best be solved by a new agency which put under one roof the Bureau of Export

Administration from the Com-

merce Department; the Office of Munitions Control from the

State Department; and the Defence Technology Security Administration from the Penta-

The new independent, Cabi-

net-level Office of Strategic Trade and Technology would oversee dual-use technologies,

defence trade, proliferation

issues, and economic security

Changing distribution chan-nels and altering export arrangements are also considered important. It appears that US business investment in the EC will be concentrated in West Germany, France and the UK.

Italy, Spain and the Nether-lands will probably attract only minor investments, Strategic Implications of 1992 for American Business, a sur-vey of American executives' perceptions of 1992 and the Euro-pean Community conducted by KPMG. A summary from Peat Marwick McLintock, 1 Puddle Dock, Blackfriars London ECAV

Just over half (51 per cent) think that there will be no Some 79 per cent believe that a pan-European strategy will

COOPER Rolls, a joint venture company between Rolls-Royce of the UK and Cooper Indus-tries of the US has won a \$175m order to supply gas turbine plant for oil pumping in Saudia Arabia. The order involves the sup-

ply of 22 gas turbines, each based on the Rolls-Royce RB211 engine, together with control systems, and some retrofit control equipment for existing gas turbine machinery in Saudia Arabia.

The new equipment will be installed at 11 pumping sta-

money.

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tions along a pipeline from Saudia Arabia's eastern prov-ince to the Red Sca port of

Aramco Services on behalf of the Saudi Arabian Oil com-pany placed the order. The Rolls-Royce portion of the con-tract is worth \$70m.

Ryder in Germany Ryder Systems of the US, the world's largest truck leasing company, has entered the highly regulated West German road transport business to build up its continental Euro-

pean operations with the approach of the single EC internal market after 1892, writes Andrew Fisher in Frankfurt

With a German fleet of 135 trucks from Ford-Werke and Daimler-Benz Ryder is making its first significant move in ainland Europe. "There is no market we see that offers greater opportunities for the '80s than Europe," said Mr Carl Simmons, Ryder's general manager for European operations.

Ryder is well established in the UK with about 7,000 trucks and nearly 1,300 employees. It intends later to become involved in other EC markets such as France and Spain, said Mr Alan White, group director of field services

in Europe. Soviet imports

The Soviet Union is likely to import \$500m to \$600m of South Korean products, mostly daily necessities, according to Chung Ju-Yung, founder and honorary chairman of the Hyundal Business Group, AP-DJ reports from Seoul. Returning from a nine-day trip to the Soviet Union, Mr

Chung also said the Soviet Union had proposed joint ven-tures with South Korean partners in 40 to 50 projects.
Chung headed a 30-member delegation of leading South Korean businessmen to the first session of the Kores

viet Business Council held in Iran talks fail

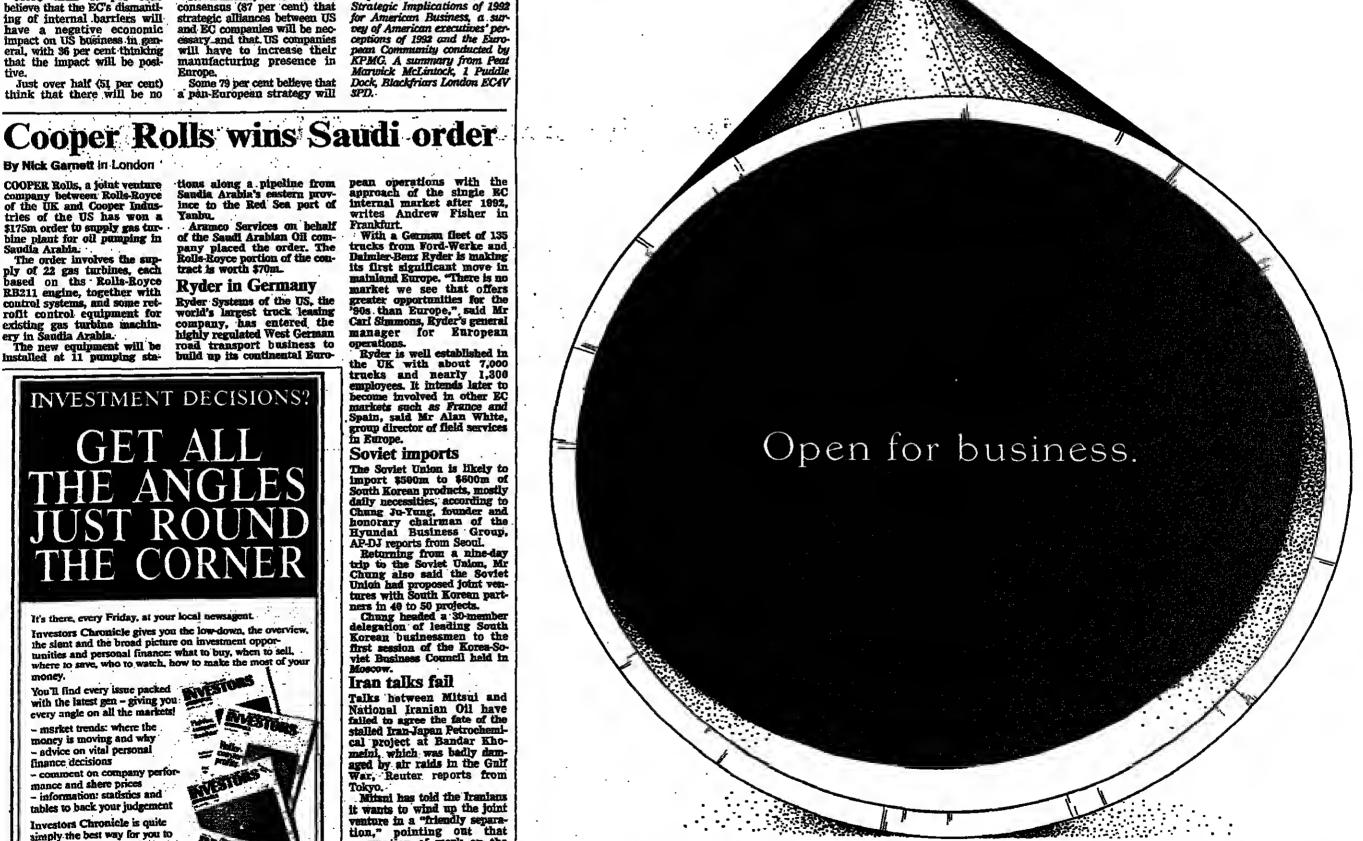
Talks hetween Mitsui and National Iranian Oil have failed to agree the fate of the stalled Iran-Japan Petrochemical project at Bandar Khomeini, which was badly damaged by air raids in the Gulf War, Reuter reports from

Mitsui has told the Iranians it wants to wind up the joint venture in a "friendly separation," pointing out that resumption of work on the complex is not financially jus-tifiable.

More Sheratons

Sheraton Asia-Pacific is to open four hotels over the next three years in Australia and Fill, costing A\$283m (£130m), AP-DJ reports from Hong

Mr Kevin Carton, senior vice president of Sheraton, owned by ITT of the US, said the move was in line with the group's strategy to develop luxury hotels for businessmen and resort properties at gateway cities in the Pecific



The extensive national pipeline network laid down by British Gas to carry supplies to its millions of customers is available for the transport of gas on behalf of independent gas suppliers.

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Details of the service and information about

likely costs have been published, and are available from the Gas Transportation Services Department, British Gas, 100 Rochester Row, London SWIP IJP. Telephone 01-821 1444.



🖛 greenliche AND ELECTION

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Securities body orders disclosure of investment fees

LIFE assurance companies and unit trust management groups from next April will be required to tell buyers of life assurance, pensions and unit trusts the effect of expenses on

their investments. Provision of such information is a key element in the final rules on disclosure for life assurance and unit trust prod-ucts issued yesterday by the Securities and Investments Board (SIB), the financial ser-

vices watchdog.

SIB's underlying philosophy in its regulatory role has been thet consumers should be given full information over the investment products they are

These rules set ont the nature of that information in relation to life assurance and unit trust contracts, covering not only expenses, but the ben-efits provided, the underlying investments and taxation

SIB has spent three years considering these rules, with expense disclosure being the thorniest of problems. The form of disclosure is a

percentage deduction from the vield and the information must be provided with 14 days of completion of the sale, not at the time the product is being bought. But surveys bave information as a percentage deduction is not widely under-

stood by the public.
SIB bas followed the views of
the life assurance industry on
the time of disclosure and ignored those of the Consum-

SIB also announced a second

the information which consumers can expect from the salesman, their rights of cancellation and, above all, it explains clearly the difference between the two categories of interme-diary - independent or com-

Mr John Ellis of the Life Insurance Association, one of the trade bodies representing life assurance intermediaries welcomed the guide as the bes means of ensuring that the public understood what they

Judge urges ruling on tax

By Raymond Hughes

A SENIOR judge yesterday called for legislation to clarify what be called "a revolution-ary reversal" of the Inland Revenue's previous practice in relation to the liability of foreign states to UK tax.

Lord Justice Dillon said that the Revenue contended that sovereign immunity of a foreign state meant no more than immunity from being sued in the UK courts. It did not mean immunity from income tax.

On the contrary, the judge said, the Revenue contended that foreign states were liable to income tax on certain income that accrued to them

sbown that presenting the

ren's Association, which wanted the information in money terms at the time of the sale.

The Association said it deeply regretted that its views were not beeded.

initiative; a Buyer's Guide which must be given to any purchaser of life assurance or unit trust products at the outset of the sale.

The guide will be produced by the regulatory bodies, not the life companies, it sets out the information which consum-

pany representative.

were buying and who they were buying it from.

liability of foreign states

bility could be enforced against them by any process of set-off that might be available to the

action in the courts and recov ery by judgment.
"This is a revolutionary reversal of previous practice. I

is one which can affect very many sovereign states," Lord Justice Dillon said. "The point is important and it is very desirable that it should be clar ified by legislation if the

Court scuppers Cambrian share sale

By Raymond Hughes, Law Courts Correspondent

AN ELEVENTH-bour attempt to save a \$41m (£24.7m) sale by the US Treasury of shares in Cambrian General Securities, a British investment company, failed in the Court of Appeal

yesterday.
The shares were formerly beld by Mr Ivan Boesky, the convicted US insider trader.
The court refused to rule an Inland Revenue decision unlawful. The decision struck down an essential part of the deal, which US tax law required to be completed

before August 8.
The US Treasury bad acquired the shares – about 20 per cent of Cambrian's equity - from Mr Boesky through a New York court order made

by international demand.

refined formula which be calls "mean"

(manganese-enhanced austenitic nitrogen)

Austenitic refers to the structure of the

metal, normally associated with nickel.

From such bizarre origins has grown an ingenious solution to Mr Taylor's wrangle with the price of nickel — now more than \$13,000 a tonne. Mean steel has slashed his

production costs and finished product

obtained in terms of steel properties and

Sanctions Act, in proceedings brought by the Securities and Exchange Commission, the trading watchdog. Cambrian was at one stage Mr Boesky's UK investment vehicle.

The agreement was for the shares to be sold to Camacq Corporation of Delaware, Corporation of Delaware, which already owns about 70 per cent of Cambrian. Camacq would then sell its interest to a new wholly-owned UK subsidiary of Leucadia National Corporation, its US parent.

Under US tax law, Camacq had to acquire not less than 80 per cent of Cambrian before next Tuesday for it and Leucadia to avoid US tax liabilities of about £10m.

about £10m.

An essential part of the transaction was that immedi-

Christine Griffiths on an alternative to high-priced nickel

ately after the shares were transferred to Camacq, Cam-brian would fieclare a dividend

brian would feclare a dividend on those shares.

Under the 1968 Income and Corporation Taxes Act, recipients of dividends that are not subject to UK tax — such as a foreign state able to claim sovereign immunity — can claim from the Revenue a tax creditional to the amount of

equal to the amount of advance corporation tax (ACT) payable on the dividend. The inspector of foreign divi-dends at the Inland Revenue initially anthorised Cambrian to pay the US Treasury an amount equal to the ACT - about \$8m - avoiding the need for the credit to be reclaimed from the Revenue.

the Revenue changed its mind and revoked the authorisation. Cambrian and Cameco chal-Cambrian and Camacq chal-lenged the revocation decision in judicial review proceedings, arguing that the Revenue had acted unlawfully and unfairly, and had abused its powers. In the High Court earlier this week, Mr Justice Kennedy ruled thet the Revenue had grounds for correcting what it

ruled that the Revenue had grounds for correcting what it regarded as an error in anthorising the payment.

Upholding that ruling, Lord. Justice Dillon said yesterday the Revenue believed that the dividend seemed to have been arranged artificially to take advantage of UK tax credit rules and would not be available to other Cambrian shareholders.

replace mickel-alloyed steels, it would have happened years ago," said the Nickel Development Institute (NIDI). The insti-tute is sceptical of the mooted superior qualities of manganese-nitrogen steel over nickel steels and questions whether there

is sufficient interest to warrant commer-

cial production.

According to Mr Mike Kurtanjek, head of Mining Research at James Capel, UK brokers, Auto Alloys addresses a "small-volume, high-value market." He does not see a widespread nickel-substitution danger but can proceeding a real threat in the

ger, but can recognise a real threat in the specialist high-value market.

However, "getting it accepted as the industry standard is going to be very difficult. There is a natural resistance to

change - industry holds the key and when it is ready to change, it will," he

Mr Taylor - who has been nominated

Employers prepare for end of ports stoppage

By Charles Leadbeater

THE hational dock strike was drawing to a close last night as it emerged that the employers' organisation which co-ordinated ports' approaches to the strike will soon be wound up.

The governing council of the National Association of Port Employers (Nape), will vote to wind up the association when it meets in two weeks' time. The association co-ordinated the employers' two-year politi-The association co-ordinated the employers' two-year political lobbying campaign to persuade the Government to run the risk of a national dock strike and abolish the statutory National Dock Labour Scheme which regulated employment and conditions in most of Britain's ports.

The break-up of the association presages intensified competition within the industry which could lead to more bank-ruptcies and redundancies.

Ports which were included in the scheme are expected to

the scheme are expected to lower their prices following the 3,000 redundancies among the

9,221 former registered dockers. This will put more pressure on the profitable non-scheme ports which were able to underprice the scheme

ports.
Some scheme port employers are comfident that with smaller workforces and flexible work-ing practices they will be able to take traffic away from the

non-scheme ports.

Port employers believe it will take between six months and a year for the industry to settle down after a period of intensa

competition.

Meanwhile, all but four of the 61 ports previously covered by the scheme are expected to by the scheme are expected to
be working normally today.

Bristol's 467 former registered dockers yesterday voted
to return to work on Monday
when local union officials
expect to open talks on a local
agreement for the port.

Union officials at Liverpool
called on the Mersey Docks
and Harbour Commany to with-

Mr Taylor — who has been nominated for this year's MacRobert award, one of the top engineering accolades in the country — has stepped into the limelight before. He spent 10 years developing the "lost foam" process — which is on display at the Science Museum in London — whereby hot metal vapourises polystyrene moulds and takes their shape. By combining this process with mean steel, Mr Taylor thinks he can revolutionise the cast market. Japanese companies have flocked to Derbyshire with offers to buy the whole and Harbour Company to withdraw contracts sent to 510 men-who have said they want to continue working at the port. The officials said the discibusiness. The Soviet Union has also expressed interest in the process for use in a new automobile facility planned for the Lada car. Mr Taylor concedes that he will now have to give up a minority share in plinary procedures in the conhis company to raise the finance required to satisfy the international market for mean steel. tracts would have to be changed before they could rec-ommend a return to work.

Universities fear drop in engineering candidates

By Nick Gamett

THE NUMBER of school-loavers applying to universities to study engineering fell by 18.5 per cent between 1965 and 1968. For electrical and electronic engineering it dropped by almost a third. University engineering departments are walting hervously for this year's figures to see whether a recent severe decline in the number of domestic candidates for courses has been halted.

During the four-year parlod, demand from industry for engineering gradnates has risen around the world. As a result, British universities have kept largely stable the number of candidates they accept for engineering courses but at the cost of a reduction in entry requirements.

in entry requirements.

Mr Jack Blears, of the national research nait for engineering professors, based at Liverpool University, said yesterday that the reduction in standards had so far been only marginal.

marginal.

But, he added: "Universities are very concerned about the position, particularly et vice-chancellor level."

It is impossible to compare this year's applications for engineering courses with last year's. That is because for the first time school leavers do not have to list in order of preferhave to list in order of prefer-

have to list in order of preference the subjects they are interested in studying.
Figures from these multiple applications this year, however, might indicate that the decline has been arrested.

By May this year, there had been 86,350 "entries" on application forms for engineering courses starting in the automa, virtually the same as antumn, virtually the same as last year. Some students might enter engineering on their

forms up to five times. forms up to five times.

That does not necessarily correlate with what will happen to the numbers of school leavers viewed as genuine candidates, although there seems to have been a resurgence in interest in civil engineering.

In October 1988, there were In October 1985, there were 17,500 candidates for univer-sity engineering courses. That fell to 16,700 the following year, then to 15,550 in 1987 and 14,270 last year.

by international demand. Several years ago Mr Dan Taylor, owner of Auto Alloys (Foundries), bought his Derbyshire bome from a former president of the Institute of British Foundrymen. In the library — handed over intact — he found references, in publications dating from the Second World War, to German use of nitrogen-alloyed steels in aircraft components. The formula was discovered by a team led by Lord Beaverbrook (who was in charge of British aircraft production), which studied captured German aircraft components. Mr Taylor then found references to two vital alloys registered in Brazil and from this devised his own refined formula which be calls "mean"

The only immunity was that

Crown intends to maintain the

new position," he said.

within the UK and that the lia

it could not be enforced by

price dramatically. Savings of more than 30 per cent will be passed on to customers who buy his automobile turbo-charger casings and heat treatment grids for the general metallurgical industry. "By judicial use of nitrogen and by capi-talising on its undoubted beneficial effects, considerable improvements can be

LMOST FIFTY years ago Hermann Goering ordered German scientists to invent a nickel-free steel alloy to avoid the Luftwaffe being grounded by dwindling nickel supplies. Recently, a small foundry in the Midlands began producing the Nazi formula to combat soaring nickel prices and found itself overwhelmed by international demand. by the use of what is probably the least expensive of alloying elements," reports High Nitrogen Steels '88 — a publication of notes from a conference held last year in

Secret formula is foundry's fortune

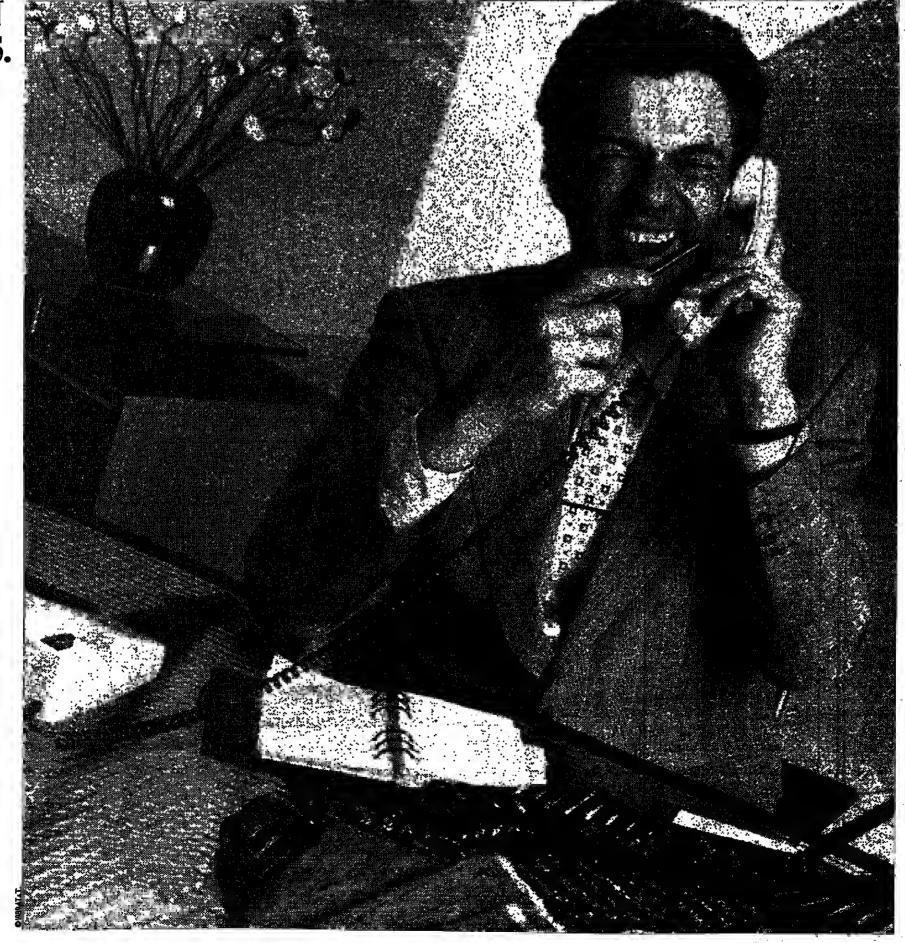
Mean steel's higher strength, corrosion resistance and its ability to withstand greater extremes of temperature than nickel-alloyed steels are the properties which will turn the heads of those in the offshore industry in particular, and also the defence and nuclear industries. Above all, it is vastly cheaper to produce.

r Taylor has been bombarded by interested parties from the UK, Japan, Germany and Australia. GKN, the UK engineering conglomerate, has ordered mean steel furnace equipment; Birmid-Qualcast has grids on trial; One of Anto Alloy's main customers, Allied Signal Group's subsidiary Garratt Automotive, is interested in the steel for turbo-charger casings; and more than 20 turbo-charger casings; and more than 20 other companies are discussing stainless mean steel prototypes for various uses, including marine engineering.

The path to Mr Taylor's door has not The path to Mr Taylor's door has not always been so well beaten. UK interest has been non-existent until very recently. Mr Taylor cites the "not invented here" attitude many UK producers have to innovative technology as the reason that prevents them from embracing new ideas. Tradition is also a powerful factor in accentance or rejection of new technology. acceptance or rejection of new technology, and foundrymen, for the most part, have always used nickel to produce stainless and high-alloyed steels.

The nickel industry is not over-enthusiastic about high-nitrogen steels, however.
"If these steels were really likely to

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Dillons may continued in drop; Dillons may continued prices in spite of of of the wrote to Mr. The wrote to Mr. The prices in Spite of the wrote to Mr. The price of the prices in Spite of the prices in S

of Pentos, said yesterday he planned to sell books at discount prices before this year was out, in spite of the deci-sion of the Office of Pair Trading against referring the net book agreement to the Restrictive Practices Court.

The state of the s Mr Maher, whose group owns Dillons, the bookshop chain, has been running a pubhic campaign against the NBA, which allows publishers to set minimum prices for most books, said yesterday: "The fight to end the net book agree-ment goes on."

He was speaking after Sir Gordon Borrie, Director Gen-eral of Fair Trading, confirmed that he would not seek leave of the Restrictive Practices Court to have the agreement re-con-

When the court looked at the

issue in 1962 if decided that getting rid of the NBA would lead to fewer, more poorly stocked bookshops and higher prices. Sir Gordon said the main

question he faced was whether there had been enough changes in the publishing and bookselling trades since then to lead the court to a different decision on the effects of ending the NBA.
"I have concluded that there

is an insufficiently strong basis to justify me in making an application to the court to reopen the case," he said. The Director General made it clear he had also taken into

account tha Government's plans for new restrictive practices legislation which would involve an automatic review of all agreements such as the

Tha Pentos chairman expressed regret at what he called Sir Gordon's timidity on Redwood, the new Department of Trade and Industry Minister responsible for competition policy, urging him to ensure the NBA is reviewed as soon as

possible. Mr Maher also said: "Wa will be using our marketing exper-tise and imagination in looking for ways to promote hooks aggressively using price as a marketing tool within the rules of the NBA."

If Mr Maher unilaterally sells books subject to the net book agreement at a discount he will face an injunction from the Publishers Association acting as agent for the individual publishers involved.

The Pentos chairman said, The Pentos chairman said, however, he would try to persuade individual publishers to publish particular books as "non-net books" as they are completely free to do. Mr Maher would then be able to offer those books at a discount. Mr Maher also promised other unspecified actions.

"We will definitely be selling books at lower prices during the course of this year." he

Gordon's decision.

In a letter to The Times this week, Mr Graham Greene, the

novelist, pointed out that innn-

merable small bookshops had

closed in France when a net

book agreement was abolished

during the rule of President Pompidou. It was reinstated when Mr Raymond Barre was

Prime Minister. "I think we

should have learnt a lesson from France," he said.

the course of this year," he Both the Publishers Association, which represents most publishers and is implacably opposed to the abolition of the NBA, and the Booksellera Association, which represents 3,300 retail bookshops in the UK and Ireland, welcomed Sir

Despite being an economist himself, he describes the US study as "the kind of thing that academics do on a hot summer day to amuse them-

Top pop star Paul McCart-ney — whose wealth has been estimated at nearly £30m — likes seven to eight hours a night, says Mr Bernard Doh-erty, his public relations

you might call regular sleep-ers. I don't know of any who are up very early in the morn-

Rolling Stones, says: "Perhaps the more – how can I put it – flamboyant pop stars have been hard to get out of bed. Certainly Keith Richards of the Folling Stones is an average.

engagements and State banquets permit. "I think she is probably a fairly average sleeper," said Bnckingham

Palace. The Low Pay Unit, which lobbies on behalf of the poor, thought any link between effort and sleep was dublous. Low paid workers need just

if you are like the rest of us n you are use the rest of us and need eight hours sleep a night," said a close colleague in the Treasury.

There are spoilsports too in the City. Mr Richard Hill, senior manager in Barclay's

Asked if he believes there is a link between the financial success and hours spent sleep-ing, he says: "I should think it is certainly a luxury that we could do without."

City yawns at dreams of sleepless prosperity

By Ralph Atkins, **Economics Staff**

YAWNING YUPPIES take heart, many of Britain's rich and famnus like to sleep

on. . and on.

Research published earlier this week by the US National Bureau of Economic Research found a link between financial reward and sleep. Doubling somebody's wages means 20 minutes less in bed, it sug-gests. Huwever, an informal survey in the UK shows sleepyheads can rest easy.

In the City, sleep can be a valuable commodity. Sir John Nott, chairman of Lazard Brothers, says: "I feel miserable if I don't get at least nine hours a night, preferably 10." Sir John has experienced working as a minister in Mrs Thatcher's Government and finds the private sector gives finds the private sector gives more opportunity for napping.
"When I got no sleep at all
was when I was a Treasury
minister because I had to sit
np all night and read inland
Revenue briefs," he said.

Mr Gavyn Davies, chief UK economist at Goldman Sachs, says successful analysts in the says successful analysts in the City start early – he is at his desk at 7.30am. "But they don't tell me when they go to bed. I'm an example of a different type of physical law which is that the nider you are the more than you are the get, the more tired you are at

"All of my clients are what

ing getting zippy," he says.
Mr Doherty, who also acts
for Tina Turner and the

the Rolling Stones is an example of a person who needs a bomb in the room if there is a morning call."

Even the Queen, whose wealth has been put at more than £3bn, appears to sleep well — at least when official engagements, and State han.

as much sleep as the highly paid workers," said Mr Mark Minford, research officer.

There are some exceptions. Insomnia is a prerequisite for a successful politician. The Prime Minister is famous for managing on six hnurs a night. Mr Nigel Lawson, the Chancellor, is reported as being up by 7.30am and still running the economy at mid-

night. "You can't do his kind of job

foreign dealing room, manages m five hours a night. He speaks to daalers in Tokyn

before retiring at 11.30pm, setting the alarm for 4.40am.
"It has appeared to me over a number of years that the harder and longer you work the more likely you are to make a success of it," he says.

The atmosphere is similar in some hig securities houses. Mr some big securities houses. Mr Simon Lewis, head of public relations at S G Warburg, says: "Paople in the bids department would say 'sleep,' what is it?"

UK NEWS

Eric Short on SIB's long-awaited reform of its rules on disclosure

and unit trust products.

After so long a period of

The regulatory authorities have for the past three years been putting forward the principle that the investor should know how much is being paid

decide the best way of present-

In the end it settled for showing the effect as a per-centage deduction from the investment return. On current experience an average life company would show around a 1 per cent expense deduction for a long-term contract and around 2 per cent for a short-term contract.

the Consumers' Association that life companies should be required to show the effect of

THE NEW contract under

which family doctors' pay will

be related to performance was published last night by Mr Kenneth Clarke, Health Secre-tary, despite the bitter opposi-tion of members of the profes-sion who have voted three to

He has written to all family doctors enclosing copies of the contract, including the modifi-

cations agreed during negotia-

Mr Clarke's action means

that the contract is being

imposed on the general practi-tioners. He is to introduce an order in the Commons to

approve the new arrangements

and said the Government intended to introduce them in

BRITAIN is in danger of

becoming a happy hunting ground for international corpo-

rate raiders and US promoters

of leveraged hny-outs as its corporate takeover regulations

fall out of step with the rest of

the world, according to a new report from Prima Europe, the

As politicians and legislators

- even in the US - begin to

adopt a critical attitude to hos-

tile takeovers, the report urges wide-ranging changes to UK rules so Britain will not be left

as the only major industrial country with a free market in

Prima Europe says the most immediate danger of falling to make such changes is that the £13bn bid for BAT Industries by the consortium led by Sir

James Goldsmith will stimn-

late a flood of leveraged buy-outs. It says these deals aggra-

vate short-termism and make

businesses more vulnerable to

the economic cycle.

They have been forcefully

corporate control.

public policy consultancy.

By Clare Pearson

one against accepting it,



SIB 'still seeking views'

expenses in cash terms at the time of sale. The association believes this would put a brake on tha current escalation of

SIB had considered showing the effect of expenses as a per-centage deduction from premi-ums, a form that would have been more readily understood by the public, but backed down in the face of united opposition from the life companies and the intermediaries.

sals will apply both to unitlinked contracts - where charges are already disclosed but usually in a complex form
- and with-profits contracts pooled between different con-

The expense disclosure is just one important feature of the complete range of product particulars that must be supolied to the buyer, including the nature of the investments, tax implications and penalties on early termination.

The other major factor causing SIB problems was the dis-closure by the intermediary of its status under so-called polarisation rules.

These stipulate thet interme-diaries marketing life assurance and unit trust products must either be truly indepen-dent and deal with the whole market, or be the representa-tive of just one life company or unit trust group and deal exclusively in the products of

that group.

The solution devised by SIB was a Buyer's Guide which would be given to clients at the outset of a sale explaining both the status of the adviser and the service to be provided. There are two versions of the

guide: one for independents and one for company represenand one for company represen-tatives. They will come into operation from January 1, 1990. Some feel that it could be made into a useful sales aid, while others feel that it might put off a would-be client. Nevertheless, the Associa tion of British Insurers feels that the wording in both ver-

where expenses tend to he sions tends to play down the service that can be provided by

a company representative. SIB's final significant pro-posal relates to the traditional life companies and their producing a company booklet explaining various features of their with-profits business. This business has tended to

operate under a veil of mystery, with intermediaries having little information on the company's expense experience, investment policy and record and bonus philosophy.

The aim of the booklet is greater openness on a consistent basis, allowing indepen-dent advisers to compare companies in order to make recommendations to clients.

SIB has set out its proposals for such a hooklet and its con-

tents, with the aim of issuing it around August next year, based on information relating to 1989. But on this particular sub-

ject it is still seeking the views of all concerned. Rules and Regulations Amendments and Additions Release No 62, free to subscrib-

ers otherwise price £10. Life Assurance and Unit Trust Disclosure: A New Frame work Consultative Paper No 27. Parts 1 and 2, free to subscrib-ers otherwise price £10.

Available from the Securities and Investments Board, 3 Royal Exchange Buildings, London EC3V 3NL.

the average amount which doc-

tors are paid nor the average size of doctors' lists of

concessions which will be retained in the deal include the retention of seniority payments. Those will be at a reduced level, but with the opportunity to increase them to present levels.

These will be a lower thresh-

There will be a lower thresh-

old for payments for child immunisation and cervical

cancer screening; the rural

practice payments scheme will be retained until a decision is

taken on revising It; and pay-

ments hased on the average

size of the list of a partnership will be continued instead of on

personal lists as originally pro-

He is questioning 20 different categories of information, including relationships between those in a household, dates of birth, telephone num-

contravenes the act, the councils will have two options. They can either destroy the information or transfer it to manual files, which are not subject to the act.

Mr Howe said yesterday that 22 councils - unnamed - had not even bothered to send him their registration forms, and they may have omitted to register under the Data Protection Act. He warned that failure to register could lead to unlimited

fines in the courts.

Some local authority leaders
believe the impact of the

tion urgently.

Mr Hunt said he was "very disappointed" that some councils had not followed the Government's advice on what questions should be asked on the registration form. He said the advice was agreed in advance with the local author-

right," he said. "This is wrong and every possible step should be taken to ensure that such information should not only be

One difficulty has been that although guidance was cer-tainly given by the Department of Environment, it was left to local authorities to draft their own registration forms. It is only those that ask simply for the details of all those aged over 18 in a household that might not contravene the law.

South-east is 'key' to **EC** success

Correspondent

Regional Planning conference (Serplan) yesterday published a consultation document which stressed the importance of London remaining an international financial, cultural and tourist centre.

councils in the region, plus the 33 London boronghs. It sees congestion, economic

overheating and resistance to development as threats to the region's ability to "earn its own living and contribute ade-quately to the national good." It also emphasises the need to co-ordinate transport and to link this to land use planning.

and proposes housebuilding at a rate of 57,000 a year into the

the south-east up to the year 2006. After consultation, it will be sent to Mr Chris Patten, the Environment Secretary later this year.

Lucas group in deal with BMW and Saab

UK COMPONENTS group Lucas Automotive has concluded supply agreements with BMW and Saab which loosen, if only slightly, the near-monopoly which Robert Bosch of West Germany has had on the potential supply of a wide was Germany has had on the potential supply of a wide range of components in lucrative west European market for sophisticated car fuel Toyota of its UK plant to proinjection systems and compo-

Lucas Antomotive, part of the Lucas Industries engineering-to-aerospace group, con-firmed yesterday that it is to supply 400,000 fuel injectors a year to BMW starting in Sep-

tember.

The group is expected to announce the contract with Saab next week.

This is understood to be for complete electronic fuel injection systems, although Lucas would naither confirm nor deny the contract's existence

yesterday.

The significance of the contracts for Lucas extends far beyond their immediate value, which is not being disclosed.

They are regarded by both
Mr Tony Gill, chief executive of Lucas Industries, and Mr Boh Dale, automotive division manager director, as "break-through" agreements offering the potential for much larger supplies in the future, not just with BMW and Saab but with other vehicle makers.

ther orders," said Mr Dale. dnce 100,000 cars a year,

starting in 1994. The BMW and Saab contracts are seen as helping to justify the traumatic restructuring of Lucas' automotive operations in the past few years, which has seen the loss of thousands of jobs and the sale of some component activities to Continental rivals such as Magneti Marelli of Italy. The two deals follow disclo-

sure by Lucas Automotive earlier this month that it plans to increase more than five-fold -to 500,000 units a year annually - its capacity to produce sophisticated, electronics based anti-skid car braking systems. Both are in line with Lucas' declared strategy to concentrate on high-technology components and systems in the six divisions into which its automotive operations have been

Under the BMW deal, Lucas Engine Management Systems, one of the six divisions, will supply the injectors for firment initially on the 3-litre engine BMW fits to its larger cars.

Spelling out investors' expenses

A FTER three years of discussion and deliberation, the Securities and Investments Board yester-day issued its final rules on the disclosure of axpenses and commission on life, pensions

indecision and uncertainty, the feeling among life company executives was one of guarded relief, that they could now get down to the task of setting up tha required administration systems to comply with the rules by the start date, April 1,

out in charges. The problem for SIB was to

SIB ignored demands from

Clarke gives details of contract for GPs

Last night he made it clear ingly to reject the contract as they believe it will damage patient care "

that no further negotiations are envisaged on the terms being offered to doctors.

"We have now reached the The BMA is in a difficult position. Although its negotia-tors on the General Medical Services Council at first point where we must bring the discussions to a fair and sensi-ble conclusion," he said. reluctantly recommended the deal, a ballot of GPs voted 75 per cent against However, Mr Clarka aban-

doned his earlier threat that the contract would be even tougher if GPs failed to agree the terms.

He has kept four concessions which he agreed to insert dur-ing negotiations, After internal discussions on Mr Clarke's letter, the British Medical Association put out a

cantious statement. "Mr Clarke already knows doctors' views," it said. "GPs have just voted overwhelm-

criticised this year by Mr Nicholas Brady, US Treasury Secretary, while Delaware state legislators have recently

upheld the right of directors to

The report says the Government should explicitly recognise, as it has sometimes done

unofficially, that there are

wider grounds for a reference

to the Monopolies and Mergers

Commission than a potential

threat to competition - includ-

ing very high leverage.

The built-in advantage that bidders now enjoy should be aliminated by enforcing a fuller disclosure of information

and reducing the threshold at which a full bid must be made

from 30 to 15 per cent of the

share capital.

The imposition of a delay

before newly acquired shares can be voted should also be

one in step?" £12.50, Prima Europe, 10 Cork Street, London W1X 1PD.

"Takeovers: Britain the only

make long-term decisions.

from better services and the GPs who provide them will be better paid." arrangements would be fairer and more effective than the 25-

He said that the new

"Good GPs will have nothing

to fear from their new con-tract," Mr Clarke said last

night. "Patients will benefit

year-old contract they replace. He said they would not affect

Britain 'should close open | Local authority savings door to hostile takeovers' up by 70%, says report

By Richard Evans

LOCAL AUTHORITIES in England and Wales have increased savings by 70 per cent in the past year by introd-ucing additional value for money measures, according to the annual report of the Audit Commission published yester-

Commission recommendations on possible savings by councils resulted in "value improvements" of £372m at an annual rate, compared with £219m in the previous year.

The savings have been achieved over a wide range of local government services, including cutting teaching and non-teaching costs in second-ary schools following the reduction in school rolls; additional hours worked by lecturers and better use of premises in further education colleges; rationalising refuse collection services; better monitoring of energy consumption; and more

efficient purchasing and cash management techniques.

A further £550m of opportu-

nities for budget savings have been identified by the commisaion's anditors but not yet picked up by councils.

Mr David Hunt, the newly appointed Minister for Local

Government, welcomed the commission's work on value for money but emphasised that there was much more still to accomplish. "This is a good start, but the sad fact is that some councils

still give their ratepayers very poor value for money. Councils must move towards greater efficiency and give a better deal for local communities," he

The report says that significant changes in local govern-ment legislation on the community charge, competitiva tendering, local management of schools and the national curriculum had had a substantial impact on local authority management and auditing. Audit Commission report and

accounts for year ending March 31, 1989. HMSO. E5.

ministry said discussions with

local authorities on planning permission would start shortly.

posal include two in Hounslow

- the Royal Army Ordnance

The sites scheduled for dis

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UNIVERSITY OF MANCHESTER

MoD to sell 200 acres in NW London By David White, Defence Correspondent

MORE than 200 acres of prime

Ministry of Defence land in north-west London are due to sold in a long-awaited reorganisation of military facilities in the area.

The plan includes closure of six sites and is expected to net the MoD at least £62m - taking into account the cost of

relocating the units.. Lower

running costs over the next 10 years would bring total savings to more than £30m, the minis-

try said. The planned closures include the Mill Hill barracks, where security arrangements were criticised after an IRA

bomb attack a year ago.

Army and RAF units in the area are to be concentrated on three main sites — Uxbridge, Northolt and Bentley Priory.

The announcement, made yesterday by Mr Michael Neu-

bert, junior Armed Forces Min-ister, follows the Commons ister, follows the Commons and a consultative document Defence Committee's recent has been sent to unions. The

property.

The ministry said its plan, spread over fiva years, would involve "little reduction" in staff levels, since main units were being relocated rather than closed, but it said: "The possibility of some redundancies cannot be roled out."

cies cannot be ruled out."

criticism of MoD delays in sell-ing 4,000-odd acres of surplus

Staff were notified yesterday,

Corps base at Beavers Lane Camp, which will be resited at RAF Northolt, and the Cavalry Barracks, which are due to close by 1995. The London District Transit Centre hased there will move to RAF Uxbridge.

Leeds survey confirms economic slowdown in north

By Ian Hamilton Fazey, Northern Correspondent

LEEDS Chamber of Commerce nearly 600 businesses take part vices sectors are also having yesterday warned that stagfia-tion - a high level of inflation combined with a stagnant economy - is a real danger unless consumer credit is hrought under control faster than an increasingly apparent reduction of investment in

industry.
The chamber's latest quarterly survey for April-June confirms the picture of a wide-spread slowdown in the northern economy revealed on Tuesday by similar surveys in Greater Manchester, Tyneside, Teesside and South Yorkshire. Leeds usually provides a reliable indicator because of the

wide base of the West York-

shire economy and because

in the survey.

The chambar says that although Leeds' unemployment rate of 6.8 per cent is better than all other northern cities, local businesses are struggling with higher costs resulting from increases in wages, rents, rates and raw

materials. Combined with high interest rates and a slowdown in demand reflected by thinner order books, there has been a serious effect on recruitment, investment intentions and business confidence.

Manufacturers - particu-

larly in textiles - are hardest

hit but companies in the distri-

bution, construction and ser-

trouble. In May, tha chamber said that its first quarter's survey suggested that the broad base of the regional economy might protect it from a harder than expected landing for the

national economy.
It now says that continuing deceleration in the growth of demand is causing concern among busines Two thirds of businesses say that cost inflation is a problem,

already for local companies.

It shows a weakening in

home and export salas and

while five out of six are seriously affected by high interest rates. The aurvey suggests that hard times have srrived

orders, as well as a tailing off in demand for labour, although only 5 per cent of companies expect to shed jobs in the current quarter.

However, many companies have recently been reducing their workforces more than planned or forecast, in the second quarter, 12 per cent shed staff, but only 4 per cent thought they would do so when questioned for the January-March survey. This suggests an unexpected number of redundancies as the economy

weakened.
The textiles and clothing sector was hardest hit, with more than 25 per cent of businesses shedding staff and only 9 per cent recruiting. The sector

showed a marked decline in sales and orders. Engineering and metal man-ufacture exhibited a much

sharper plunge in exports com-pared with domestic markets,

which still enabled jobs to be

maintained. The north as a whole comprises about 25 per cent of Britain's gross domestic product. With a slowdown being confirmed everywhere, and inflation rising, a sizeable section of the national economy is

affected. Mr Peter Coles Johnson, director of the chamber, said that the chamber believed the local economy was at a critical point and that the next six months would be crucial.

questioned on poll tax inquiries By Richard Evans MORE THAN 300 local authorities in England and Wales are being asked to explain possibly irregular questions on community charge registration forms in a move that could affect the smooth

Councils

introduction of the charge next April.

Mr David Hunt, the newly appointed Local Government Minister, is meeting local authority leaders today in an attempt to defuse what could develop into an embarrassment

for the Government. The problem has arisen because local authority community charge registration offi-cers have sought information that is not strictly necessary for the registration of adults for the charge, or poli tax. This may well contravene the Data Protection Act, which protects the individual from misuse of computer-based records.

Mr Eric Howe. Data Protection Registrar, has asked 304 councils to provide more informstion on the purpose of vari-ous questions asked on regis-tration forms before he decides whether to prevent the information being stored on com-puter. Only 37 nf the forms examined have been exoner-

bers, further education details of students, and dates when premises are occupied. If he decides the information

flawed questions on the timetable for collection of tha tax could be chaotic. Ministers are being asked to clarify the situa-

ity associations. "Some councils seem to have demanded information to which they have no legal

kept off computers but should be destroyed."

By John Hunt, Environment

LOCAL AUTHORITIES in south-east England have stressed the importance of the area remaining the "leading edge" of the economy if Britain is to succeed in the EC. The London and South East

It said the capital and the south-east should develop their role as a leading EC region. Serplan represents the 12 shire counties and 98 district

It rejects restraints on the number of homes to be built

next century.

The proposals are intended to provide a strategic plan for

He will take it into account when issuing planning policy guidance for the south-east. Into The Next Century, £5, Serplan, 50/64 Broadway, Lon-



of the Environment, there are no further changes in the offing to the announced plans for the switch from the old system

of locally-based rates payments to the new, centralised system. But the pressure for change remains. It is the subject of the accompanying article. Still, the Government moves respond to the demands for an easier transitional period from

the small business lobby The first revaluation of commercial properties since 1973 has inevitably meant that

he Government has had a far easier ride on the introduction of the uniform business rate than it has on the poll tax.

The latest changes to its plans will be given effect throngh amendments to the Local Government and Housing Bill, now in the Lords, and the rate poundage itself will be set towards the end of the

It all looks relatively simple. But critics of the Govern-ment's approach, although welcoming the new concessions for small businesses, have by no means been disarmed. Pressure on Mr Patten will come from both inside and outside Parliament for, as a minimum, extension of

the transitional relief. The Confederation of British

Pressure for change

By Paul Cheeseright

some properties - offices in the south-east especially and prime retail premises nation-wide - will face sharp rate increases.

In contrast industrial property users in the midlands and north will have lower rates

To mitigate the pain of the increases, the Government has for long agreed that there should be a transition period during which the full scale of the higher bill will be phased

But, because the Treasury will not accept any diminution of revenue – that is the money

Industry, starting from the point that it wants less tax on the business community

anyway, is maintaining its

ness rate should not be set

tion under its belt, is not

happy with the celling over

the increases in a rates bill

and wants its lowered to 10

that the restrictions on the

per cent a year, plus inflation, and compounded. It believes

that "over 75 per cent of all businesses will benefit from the more generous rateable former and 15 per cent plus inflation for the latter. A relatively trouble-free ride for the business rate

tight.
Certainly the Government's freedom of manoenvre is restricted by its determination to hold the return from the demand that the uniform busiuniform business rate at the same level as the 1989-90 rate. in reference to 1989-90 but to an earlier year. It should be It cannot appease the north by granting immediate relief or placate the south by extend-The National Federation of Self Employed and Small Businesses, with the change in the small business defini-

Year to Dec 88

Year to May 89 Monthly rate — May 89

ing the transitional period.

It is easy to extend the argu-ment of relief from new tax

drawn in from the uniform

business rate in 1990-91 should be the same as that drawn in

from the present system in 1989-90 – there is a matching transitional period for those with lower rate bills.

The Government refined the

nature of the transition by dif-

ferentiating between large and

small business. Where the rates bill rises, there is a ceil-

ing of a 20 per cent increase plus inflation each year for the

out of the domestic sector, where the principle has been accepted, into the business

In Scotland, where the uniform business rate has already been imposed, the Government is spending £67m to help lower the rate on business in order to erode the difference between English and Scottish business rates. It is doing this by increasing the Exchequer

1.8

reduction in rates for those with lower bills will be 15 per cent for small businesses and 10 per cent for the large.

What the Government has

now done is to change the defi-nition of what is a small busi-

ness. 'Small' is classified as a property with a rateable value of £15,000 in London and and

£10,000 elsewhere, double the previous classification. The

effect, said Mr Chris Petten, the Environment Secretary, is

facing rate increases during the transition is restricted. It applies only to those occupying a property before March 31 1990 and remaining in it. If a property changes hands during the transition then the new occupier has to pay the full rate of increase immediately. If, on the other hand, the rates bill for a property is lower, the phased decline will continue, whether there is a change of occupier or not.

threshold."
But the protection for those

What all this means is that, as the Inland Revenue puts it, "nearly 700,000 properties in

grant for 1990-91 to local authorities.

So the stand on returns from the uniform business rate in England and Wales looks to be based more on convenience than principle. The distinction is one that critics of the Government will exploit over the coming months In any case, the Government

is probably running into an administrative morass. The

| Renta | il value growt | h (%) | | _ | | | |
|-------|----------------|------------|--------------|---|--|--|--|
| ī | Office | Industrial | All Property | _ | | | |
| | 27.9 | 22.2 | 23.9 | _ | | | |
| | 22.4 | 25.1 | 20.4 | | | | |
| | 4 6 | 20 | 10 | | | | |

Percent

England benefit from having their increases spread beyond the first year, at the cost of deferring reductions for less than 400,000 properties."

While it is true that the size of a rates bill is rarely the determining factor in deciding on the occupancy of one property instead of another, the immediate cost savings of phasing can be significant.

Baker Harris Saunders calculated the benefit of phasing on

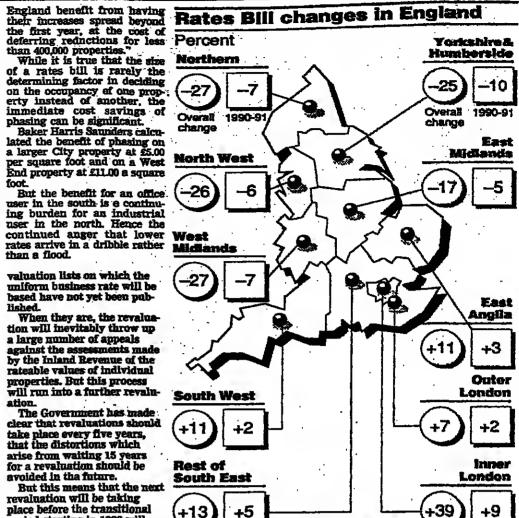
lated the benefit of phasing on a larger City property at \$5.00 per square foot and on a West End property at £11.00 a square But the benefit for an office user in the south is a continuing burden for an industrial

valuation lists on which the uniform business rate will be based have not yet been pub-

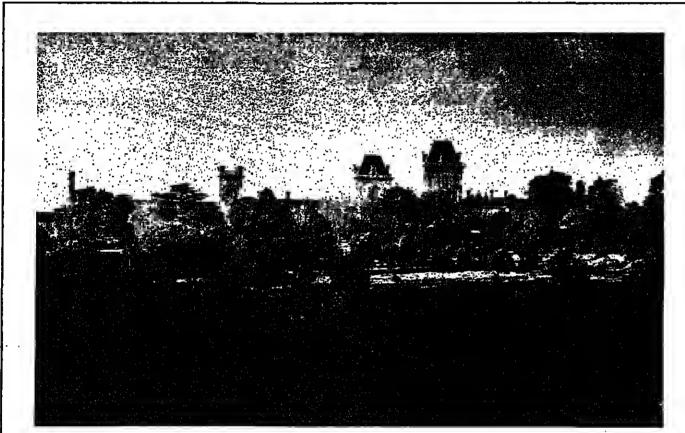
When they are, the revalua-tion will inevitably throw up a large number of appeals against the assessments made by the inland Revenue of the rateable values of individual properties. But this process will run into a further revalu-

The Government has made clear that revaluations should take place every five years, that the distortions which arise from waiting 15 years for a revaluation should be avoided in tha future.

But this means that the next revaluation will be taking place before the transitional period starting in 1990 will have been completed.



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Uniformity in pursuit of a sharper identity

John Gapper reports on a growing trend among UK employers

sometimes questions why she should wear only stud earrings when she is at work. "I don't see what difference your earrings make to how you put out a tin of baked beans," she says. Like other retail employers, and a growing number of financial services companies, Sainsbury supplies free uniforms to its staff, expects them to observe rules on their

appearance covering hairstyle (and make-up for women) and insists that they wear banges with their names on. Staff appearance is becoming a more important issue for banks and building societies as they switch emphasis towards retail services and put fresh emphasis on customer care. Retail employers are also re-assessing the commercial value of neatness and attractive The Halifax Building Society

THE BUSINESS of making

overalls for blue collar work-

ers and suits for shop assis-

tants was once one of the dowdiest areas of the clothing

industry; but in the 1980s the

workwear business has

In the 1980s the traditional

purchasers of workwear have

tended to treat their employ-

ees to smarter working clothes and to change their its style

more frequently. Meanwhile a

new source of customers has emerged in the financial ser-

vices sector as banks and building societies bave intro-

duced uniforms for their staff.

The market for workwear -

which embraces everything

from overalls to army uni-

forms - was worth about £160m in 1988. There are now

about 100 companies involved in the industry in the UK.

employing around 30,000 peo-

facturers are small family firms, Alexandra Workwear, a

arole Creed, a is one financial services by making individuals feel part-time assistant at employer which is giving out smarter. "The thing the staff I Sainsbury's store in niforms — or "corporate look forward to most is getting wear" — for the first time to into their new uniforms. They want to be a million dollars." staff in new retail branches. The branches themselves are being smartened up, in accordance with a design programme known as Branch

David Thornbarrow, divithe company sees two clear advantages in staff wearing uniforms. The new branches are open-plan and uniforms will enable customers to identify staff more easily. The uni-form colour scheme will also back the branding effort.

The uniforms have cost the company abut £250 each for the 14,000 employees who are to be kitted ont. Other companies spend less, but the outlay is still big. Mecca Leisure is currently spending £275,000 on re-outfitting 3,500 staff in its bingo halls.

Both companies say the exer-cise has boosted staff morale

Bristol-based concern, is the most powerful player in the industry, with sales of over

£40m in the 1987/88 financial year and 1,700 employees.

publicly quoted company based in Manchester, also has a sizeable workwear business

among its industrial and

financial interests. Coats

Viyella, the biggest textile group in Europe, is another leading player through its J. Compton Sons & Webb subsid-

All the workwear manufac-

turers have benefited from the

market's bnovancy in the

1980s, but the standard of ser-

vice demanded by their cus-

tomers has become much more

stringent.
The trend towards smarter,

more stylish working clothes

means that the manufacturers

must produce more complex

garments. They must also be faster and more flexible in

Bodycote International, a

A bouyant market for workwear

feel like a million dollars, says John Kelly, Mecca's bingo halls managing director. Companies commonly see

uniforms as a way of reinforcing a brand image. Habitat, the household furnishings chain, has gradually introduced more formal uniforms since it started with uniforms of jeans and tee-shirts. The current uniforms include green and grey suits, blazers and woollens.

Some retail companies give financial incentives to encourage a clothing image among staff without actually provid ing uniforms. Next, the retail chain, gives concessions of 75 per cent on the cost of clothes bought from their stores by

Bernadette Hillon, Usdaw's women's officer, argues that arise where companies do not provide free uniforms, but just

increasingly complex nature of the market to its advantage. It

began in business as a tradi-

tional draper in the 1850s and

moved into workwear 20 years

ago. Alexandra has since

expanded rapidly within work-

wear thanks to its policy of

selling directly from stock, thereby entting its delivery

The company has invested

about £12m over the past five years in equipping its three production plants in Strath-

lyde and its Bristol distribu-

tion centre with antomated systems to improve efficiency.

attention to the rest of Europe.

In April, it added a new base

in Paris to its existing opera-tion in Rotterdam. John Prior,

the chairman, plans to open throughout the continent. "West Germany will be the next new area," he said. "But

there are lots of others to fol-

Alexandra is now turning its

times to a minimum.



The Hallfax building society and Habitat retail chain have introduced staff uniforms as a way of reinforcing a brand image

hava vague requirements on clothes and appearance.

But formal uniforms can provoke their own tensions between managers and staff. Their design can often speak eloquently of senior managers' opinions of their own workers, notably the common practice of not putting pockets in retail uniforms to discourage theft.

When the Woolworth multiretail chain re-designed its uniforms as part of design changes at stores, pockets were included for the first time to allow staff to hold scissors and other equipment. The company placed some weight on the nove as an expression of trust in its workers.

At the same time, Wool-worth introduced name badges with spaces for stars showing progress through a staff training scheme. Mair Barnes, Woolworth managing director, says changes to uniforms and badges form part of a wider attempt to involve workers more in the business.

The spread in the use of staff name badges as part of cus-tomer care schemes can have some unforeseen consequences: the Co-operative Retail Society altered its policy that both fore- and surnames should eppear on name badges after complaints of harassment of women staff at their homes. Uniform design can provoke other delicate issues for

women staff. There have been cases where employees have protested that uniforms are too risqué. There is an ambiguity Alice Rawsthorn in law over whether companies have to provide trousers as well as akirts for women; and industrial tribunals have

reached differing decisions on whether women have the right to wear trousers.

In one case, Richmond Health Authority was backed by a tribunal after it withdrew a nurse training plece to a Sikh woman who said she would have to wear trousers

with her uniform.

However, a tribunal ruled against British Home Stores (now BhS) in a case where they had insisted that a woman assistant wore a skirt. The tribunal declared that the detriment to Muslims of the com-pany's insistence on skirts ontweighed any commercial necessity behind the policy. In the leisure industry, some

women have complained that their uniforms are too titillat-ing. Mecca Leisure ran into problems in Wolverhampton earlier this year over re-de-signed uniforms of low-cut halter dresses for women in 11 nightclubs.
Two women at the Wolver-

hampton club objected to the dresses and left the club after being told that they had to wear them. The issue was raised in Parliament by a group of Labour MPs, and the company had to mount an energetic public relations drive to defend its name. Such problems with staff

over uniform design have led many companies to try to involve them at an early stage when a new uniform is being

In the case of Halifax, the company first gained the agreement of its 10,000 branch staff to new uniforms through its staff association and then set up a consultative group to



work on designs. A number of workwear companies were asked to provide samples of designs and fabrics.

After a supplier hed been chosen, it held a number of trials among staff to test the uniforms' comfort, durability and smartness. It has provided special uniforms for Muslim women, including matching silk leggings instead of skirts and e scarf to cover the head. The company has also pro-vided a variation for pregnant staff of a pinafore dress. A survey undertaken by the Mater-nity Alliance earlier this year found that many pregnant women felt out of place et work because their uniforms no longer fitted.

Thornbarrow says the introduction of corporate wear through consultation has been appreciated by staff, and they are more inclined to keep the clothing neat and clean. The full programme of introducing uniforms in the new branches is due to be completed by 1992.

But in consulting its staff, Halifex bas argusbly been doing no more than its statu-tory duty. In one industrial tribunal case, two employees who refused to wear e "bideous" peasant-style uniform introduced by Sheraton were found to have been unfairly dis-

missed

The tribunal found that their contracts of employment did not require them to wear any uniform provided. In a sepa-rate case, the Employment Appeals Tribunal ruled that a company must evoid making rigid demands about appearance which are not rooted in the commercial requirements of the business.

These legal imperatives, combined with the business disruption caused by staff discontent over uniforms, mean it is often sensible to consult workers on appearance rules. An improved public perception of a company is hard to achieve where uniforms and badges are worn unwillingly.

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Recruiting and employing graduates for 1990 and beyond, Brighton. October 19 and November 23. Fee: non-£210. Details from Meg Reed, IMS training co-ordinator. Institute of Manpower Studies, Mantell Building, University of Sussex, Falmer. Brighton, Sussex BN1 9RF. Tel: 0273

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EXHIBITIONS

London

The National Gallery. The Artist's Eye - this year the abstract painter, Bridget Riley's turn to take her pick of the collections. She chooses a mere seven works, but all of them masterpieces – great figure com-positions by Titian. Poussin, Veronese, Rubens, El Greco and Cezanne Daily until August 31. The Whitechapel Gallery, Euan Uglow — a retrospective of the paintings of the nude by a painter who is at once the most severely objective and the most seductive of our painters of the figure. Until September 3; closed Mondays.

The Lonvre. The glass pyramid, huilt by LM. Pei, the Sino-Ameri-can architect, has opened to the public as a dramatic entrance to one of the world's most famous museums. Erected as a medieval fortress in 1204, the renaissance royal palace only to be turned into a museum in revolutionary 1793. Since then, the modernisation of the museum's infrastructure became matter of utmost urgency and the pyramid's centralising role of the Grand Louvre planned for 1995. It will involve the mov-ing around of 800 of the exhibits, but the three stars – the Mona Lisa, the Victory of Samothrace and the Venus de Milo will remain firmly in place. Open 9am-6pm, Mon and Wed until 9.45pm, closed Tue. Centre Georges Pompidou Matisse drawings, Some 100 ative development from the postdrawings of the 1940s and 1950s. masterpieces and of rapidly dashed off sketches, adds tion. Closed Tue, ends Aug 27. Centre Georges Pompidon and La Grande Halle de la Villette. A mammoth exhibition – Les Magicleus de la Terre – is ambitiously subtitled the First World Exhibition of Contemporary Art. Taking four years to prepare and costing FFr30m to stage, the exhibition needs all the space of the 5th ficor of Beaubourg and the Grande Halle de la Villette to accommodate the 100

artists - half of whom come from the third world - whose works span the globe. The exhibi-tion assembles bark paintings by Australian aborigines, a house repainted for circumcision ceremonies in South Africa, effigies of lions and sorcerers from Benin and decorated coffins from Benin and decorated coffins from Ghana. Even the western artists were chosen according to their relationship with the Third World. Centre Georges Pompidou (42771233) and Grande Halle de la Villette, 2t1 Ave Jean-Jaures, Metro Porte-de-Pantin (42497722). Path aythibitions closed True and Both exhibitions closed Tue and

Fondation Gianadda. A Henry Moore retrospective of some 50 sculptures, 80 drawings shown in rotation and 60 engravings is as impressive by the judicious selection of exhibits, as by the exceptional location for 12 of the monumental statues in a park with Alpine peaks as a backdrop. There are family groups, majestically reclining feminine figures, the bieratic couple of the King and Queen. But most of all, the works, be they in bronze, marble or alabas-ter, be they of vast proportions or fitting into the palm of a hand, are a hymn to eternal motherbood. Ends Nov 19 (026-223978).

L'Ecuyer , 20th Century Crystal, ends August 30th. 187, Avenue Centre Culturel le Botanique A sense of catastrophe - art in the 1980s shows works of American and European artists. Closed Monday ends August 13.

Frankfurt

Schirn, Kunsthalle Am Römer, berg 6a. A Wassily Kadinsky retrospective (1866-1944). Wassily Kadinsky, initiator and founder of the famous Blue Horse style also created a new form of abstract painting. He left Russia four years after the revolution and was forgotten for many years. To rehabilitate him 45 years after his death, 20 muse ums from all parts of the world bave lent about 170 oil paintings, watercolours and drawings for

be seen in Frankfurt.

Kunsthalle am August-Macke-Platz, Hochstadenring 22.Cenin German History, This interest g exhibition, organised by ido-Michael Baumunk, has about 1,500 pieces on loan from private collections and museums it is the government's contribution to Bonn's 2,000th anniversary. The ground floor of the Kunsthalle, with all walls painted black for effect, offers a view of important paintings, silver items, signets and personal distinctive belongings of German politicians, from the Middle Ages up to the present. Aachen is rep-resented as the seat of Charlemagne, Nuremberg as the Emperor's city, Regensburg as the town of the everlasting dist and Frankfurt as the seat of Ger-many's first national parliament. There are also portraits by Kokoschka of Konrad Adenauer, Theodor Heuss and Ludwig Erhard. A reconstructed model shows the original layout of Ber-lin's famous Wilhelmstrasse, the location of the Prussiangov ernment and empire. A con structed steel bridge leads the visitor into the postwar period. Here, can be traced the first years of the Federal Republic of Germany and its capital Bonn. Sketches and models for the Bundestag are on display as well the political postwar develop-ment. Ends August 20.

The Kremlin Gold. The exhibition is jointly organised by the Bremen Uebersee Museum and the Moscow Kremlin Museum This presentation of around 80 art covers the early Byzantina period through to the beginning of the 20th century. It shows the different styles of the goldsmith art such as filigree and enamel work in the t5th century, colourful decorations with precious stones in the 17th century, followed by the European influence of the 18th century. Bremen Ueb-ersee Museum, Bahnhofsplatz.

Amsterdam

Amsterdam Historical Museum A selection of 70 design drawings from the private collection of art dealer Lodewijk Houthakker. Spanning four centuries, they range from delicate architectural detail to grandiose pipe-dreams, and merely whet the appetite to see more from this fahled col-

Vienna Secession. Never to be accused of neglecting the younger genera-tion of Austrian and international artists, this gallery is exhibiting the Vienna artistic scene during 1989 as well as a marvellous photographic exhibi-tion by Astrid Klein. Until

August 27. Schloss Grafenegg, in Lower Austria. Besides a marvellous place to visit, there is a wonder-ful exhibiton of children's books and fairytales. Until September.

Galleria Nazionale d'Arte Mod-erna. The Sonnabend Collection contains a little of everything. from pop-art with some of the best-known works of Warhol. Lichtenstein, Jim Dine, followed by examples of American mininal art (Flavin, Judd, Morris), to conceptual art and Arte pooera, with works by Gilbert and George, Paolini, Merz, Pistoletto and Kounellis, ending with some curious examples of German

neo-expressionism. Until Oct

Turin Russian and Soviet Art: 1870-1930. Renzo Piano, architect of the Beaubourg, has given the 250 works chosen from Soviet museums by Giovanni Carandente an immensely effective setting, turning the ground-floor workshops of the disused First factory into the equivalent of an Arab tent. The works are hung on suspended panels of white gauze, divided into 22 mo or less chronological sections. on less chronological sections, complemented by the immense Bolshevik-red banners which flutter in the breeze in the square outside. Many of the early figurative naturings on the figurative paintings on show give evocative glimpses of life in the Russian villages and the particular quality of light and landscape, notably Vasilier's Autumn Woods, Nesteroy's pen-sive girls in traditional dress at the lakesida and Vinogradov's inviting summerhouses on the slopes of the Crimean hills, with their unexpectedly huxuriant gardens. Cosmopolitan and could hardly have been in closer contact with contemporaries in France and Germany. Matisse was in Moscow to install his two paintings, Music and Dance in the house of the collector. Serge Sukin, and two symbolist works on show by Petrov Vodkin, Youngsters and The Thirsty Fighter contain clear echoes of these. The giant figure of the prototype of impresarios, Diaghilev, looms over the exhibi-tion. There are two portraits, one by Serov, elegant and devil-ish, dated 1904, and another, wit his old nurse, painted by Bakst in 1906. There are numerous origal designs for the sets of the Ballets Russes: Petrushka (1911) and Pavillon d'Armide, by Benois (1907), the ballet which marked the beginning of Fokine's career as a choreographer and that of Nijinsky and Pavlova as dancers. at the Marinsky theatre. A num-ber or remarkable portraits stand out, from Visdimir Tatlin's empfaintly expressionist portrait of the poetess Anna Achmatova (1914), with its intense blues and llows, Serov's mournful Grand Duke Pavel Alexandrovich and Chagall's Red Jew. Chagall has a section to himself, which

Datcha Window, as does Kandin-sky, with three fine works. including the large Composition VI from the Hermitage, Ends

Spoleto Rocco Albornoziana and Church of S. Nicolo. 17th century paint-ing in Umbria. The exhibition is the fruit of nearly 20 years research work by Professor Brunotoscano and a group of helpers, who have been through Umbrian churches and convents with a toothcomb, and the gloriously restored results can be examined close-to in two settings (of which

includes a number of charmingly

domestic scenes, such as Tha

the latter is by far the most satisfactory). The works are uneven in quality, but all are interesting, each relium a story (often with the sponsor looking pious in the lower right-hand corner), and often harking back in style to earlier artists such as Perugino notable exception is fine work by the French painter, Jean hy the French painter, Jean l'Homme (signed and dated 163t), and some are discoveries, such as an unknown, Francesco Furini. One of the most beautiful is the Maestro di Serrone's arresting and enigmatic Work-shop of Sanginseppe where Christ (with an almost victorial head of curis and roughly eight years old) standing between his parents forms a rough cross from wood fragments from the work-

eyes meet in anydous portion. Ends Sept 23.

Museo Currer. French Impres sionists from the Mellon collec-tion at the National Gallery of Art in Washington: more than 40 works, among which are delights such as Courbet's se scapes, Senrat's La grande Jatte, and Renoir's Madame Monet and Son. Ends Sept 4.

sewing-box, a mysterious smile on his face, while his parents'

Museum of Modern Art. A retrospective of the work of Helen Frankenthaler covering 40 years in 40 paintings explores the development of abstract expres-

Washington

National Gallery. More than 400 images are part of a massive ret-rospective of the 150 years of photography, here represented by Alfred Stieglitz, Walker Evans, Laszlo Moholy-Nagy among dozens of others. Ends

Art Institute. Two years after his death, Andy Warhol continues to make news with his new diary, even his work retains sur prising freshness amid the variety that extends far beyond familiar images like his Marilyn Monroe and Campbell Soup tins.

National Museum, Heijokyo Exhibition Important archaeo logical finds excavated in the past 30 years in Nara, where Japan's capital and imperial ace were located in the eighth century. Closed Mondays. Telen Museum, Takeji Fujishima (1867-1943). Fujishima's work reflects the course of European Modernism but remains quintes in decoration for its own sake. The paintings on show include, landscape, still life and portraits. Closed Mondays.

OPERA AND BALLET

Ballet. At the Coliseum the Bolshoy Ballet storms through a repertory of full length ballet including Giselle, Spariacus as Romeo and Julies.

Grand Palais des Champs Ely-sées. Ballet Moisseiev. Russian and world folk dancing

Bayreuth Beyreuth Festival. Wagner fans sayreum resuvar. wagner rans from all parts of the world will see the premiere of a Porsiful production by Wagner's grand-son Wolfgang. Conductor James Levine teads a strong cast include the William Bull habe with sale ing William Pell in the title role. Bernd Weikl, Matthias Hoelle. Berna Weitt, marchies noether, Hans Sotin, Franz Mazura and Waltraud Meler, After criticism of Harry Kupfer's Ring cycle production, changes are expected for the revival. The main roles are once again sung by Siegiried Jerusalem/Rainer Goldberg, John Tombinson, Peter Holmann and Nadine Secunde. Lohengrin, conducted by Peter Schneider has Paul Frey in the title role, Cheryl Studer/Nadine Secunde, Ekkehard Wlaschiha, Gabriele Schnant and Eike Wilm Schulte,

Tannhauser returns, after a one year break with the new Venus Ruthild Engert-Ely, Cheryl Stu-

London

The Black Prince (Aldwych). Ian McDiarmid gives the perfor-mance of a lifetime in Iris Murdoch's distillation of her own vitriolic and entertaining (836

M. Butterfly (Shaftesbury). Anthony Hopkins as the tortured diplomatic hero in a Peter Shaf-fer-style "spectacle of ideas" dressed up in John Dexter's superb production as a me of homosexual life. The transves tite tragedy proves less electrifying than in New York; the play is not very good but still worth seeing (379 5399). Henceforward (Vuudeville). Martin Jarvis and Joanna van Gya-eghem in bleakly funny and experimental Alan Ayckboprn dy of future sho

(836 9987, cc 741 9999). New York

Heidi Chronicles (Plymouth) Wendy Wasserstein's award win-ning drama covering 20 years in the life of a successful Ameri-can baby boomer goes from support for Eugene McCarthy's pres-idential aspirations to electoral ambitions in the 1980s, accompa-

strained marriage. A tale of obsession, devotion, computer music, and women as robots.

der, Wolfgang Brendel, and Stegfried Vogel, in Wolfgang Wag-per's delightful production.

Terme di Caracalla. Aido con-

ducted by Nicola Rescigno, in a revival by Sylvano Bussotti of the spectacular 50s edition. of the speciacular 50s edition, with six horses now replacing the superannuated camel. The excellent Aprile Millo alternates with Antonella Banaudi in the title role, Dolora Zajick sings Amneris, and Giorgio Lamberti and Giuseppe Giacomini. Radames. Also Romeo and Julies, with choreography by the Rome Opera ballet company's director, Mario Pistoni, with Margherita Parrilla and Mario Marozzi in the lead roles. (66.17.55/46.58.41).

the lead roles. (46.17,55/46.36.41). Viareggio

Pucchi festival (at nearby Torte del Lago). Madame Butterfly, with Yoko Watanabe and Dano Raffanti, conducted by Bruno Moretti, and Turandot, with Olivia Stapp, Antonio Ordonez, Lucetta Bizzi and Paoio Washing-ton, in Giancarlo Corbelli's pro-duction, designed by Maurizio Balo. (359,322).

The Arena. This week's perior-mances include Verdi's Nabucco. conducted by Daniel Oren. Gianfranco de Bosio's revival of the 1913 edition of Aida, conducted by Pinches Steinberg (Aprile

Lend Me a Tenor (Royale). A sprucing up in the set of a decay-ing town's big time opera ambitions makes a transatiantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6300), Jerome Robbins' Broadway

(Imperial). Anyone attracted by the notion of a three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, includ-ing On the Town, West Side Story and Gypsy. The lustre of the credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway

Cats (Winter Garden). Still a sell-out, Trevor Nunn's produc-tion of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6362). A Chorus Line (Shubert). The longest running musical in the VS has not only supported

Joseph Papp's Public Theater
for eight years but also updated
the musical genre. (239 6300).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pagesntry and drama

(239 6200). M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the

Muo andBruno Beccaria), and Vordi's La Farza del Desano with Maria Chiara, Giorgia Zancanaro Maria Chinis, triogen Zalazanari and Nicola Martinucci, con-ducted by Sandra Bolchi. Cucal-leria Russicona conducted by Nello Sandi. with Florenza Cos-sotto, Nicola Martinucci, Brano Beccaria and Silvano Carroli. (596517/8005151).

New York

New York City Opera. The week features the first performance of The Mikado with Lisa Saffer and Richard McKee in Lott Manouri's production conducted mances include Die Zon conducted by Scott Bergeson with Elizabeth Hynes as Pamine Elizabeth Carter as Queen of the Night and Walter Macuell as Tamino; and *Rigoletto* with Maureen O'Flynn as Gilda, Susanne Marsee as Maddalena and Pablo Elvirs in the title role, conducted by Scott Bergeson. Lincoln Center New York State Theatre (877 4700).

London Festival Ballet. In the second week of their visit, the company performs Romeo and Juliet, Land, Anastasia, Etudes and Napoti. Lincoln Center Opera House (362 2080).

Washington

Kirov Ballet. The company continues its two-week stay with Chopiniana, Puquita and The Sleeping Brauty. Kennedy Center Opera House (254 3770).

a male Chinesa spy (246 0220). Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets. Phantom rocks with Andrew Lloyd Webber's haunt-ing melodies in this mega-trans-fer from London (239 6200).

Chicago

Driving Miss Daisy (Briar Street). The touching relationship between a downger, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000). Les Miserables (Auditorium). The international spectacle has

settled in for a long stay by the Great Lakes (922 2110). Tokyo

Les Miserables. Imperial Theatre (201 7777). Strongly-cast revival (in Japanese) of the stirring musical of the storming of the Paris barricades. The production is a recreation by Trevor Nunn and John Caird of their London original – complete with John Gunter's superh set and lighting. Noh. National Noh Theatra (Wed at 1pm) (423 1531). Hanjo (The Girl whose Lover Went Away), by the great 15th century non master Zeami. Pins a kyogen comic interlude. Japan's most esoteric art form is not in every one's taste, but everyone should see it at least once, since it is the world's oldest living form

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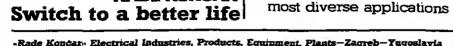
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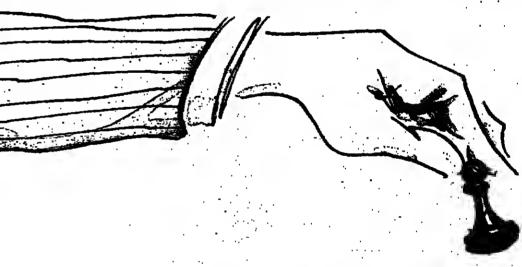


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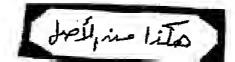
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L. H. C. A. C. B.

Bolshoy Spectacular

The final offering in the Fedotov Bolshoy repertory is an Mukhamedov, at his evening for showing off: for moodlest and most magnificent showing off classic and as the slave, took to the air, romantic etyle, and those assault-course moments of leaps and spins, and teeth — but also establishing a bared in triumphant smiles. The more extravagant moments, the filling to the sandwich for fouetté fans, are framed by Les Sylphides and the last act of Raymonda. What is so admirable about these sylphides is their warmth of manner. Casts pearer home tend to look as if peruicious anaemis is but a pearer home tend to look as if pernicious anaemia is but a jeté away; the Bolshoy's women are as airy as one could wish, but unhaunted by that migrained gaze and weak-pulsed movement that is the local approximation of "Fokine style."

So, in Wednesday night'e performance, how good to see

performance, how good to see the soaring Erika Luzina in the mazurka, and the floating Nina Speranskaya in the little waitz, telling us about the movement with the most delightful with the most delightful charm. Nothing mopey here, but full-toned and beautifully phrased movement, echoed by the dancing of their sister sylphs, and from Alla Mikhalchenko a delicate account of the leading

role.
There followed those divertissement duets which rely upon technical prowess rather than artistry. Pas de deux from the hallowed classics were paraded like so many circus horses - one or two of the nags tending to bolt, eyes rolling and plumes awry - but if there must be these affairs, then the Boishoy gives its public ample measure of tricks and dizzying spins. Two items seemed to me to be of real merit; Irek Mukhamedov's glorious dancing in the Corsaire duet. and a scene from the second act of Bournonville's La Sylphide for Lyndmila Semenyaka and Andrey

character, like the even more superb artist that he is.
Knock-about dross made gold.
As with those other
Kirov-schooled hallerinas,
Kolpakova and Makarova, Kolpakova and Makarova, Semenyaka has a natural and hewitching affinity for the Sylphide. She set ont Bournonville'e delicate mime, his buoyant dances, with all the proper airs and graces, the delicious trappings of romanticism seeming natural, poetically true. Fedotov, with a marvellous jump and a bright ring of temperament to every step, is clearly a fine James, pure in style, eager in manner. A rare talent.

Fedotov was also one of the

Fedotov was also one of the soloists in the last act of Raymonda. As we know from the company's last visit, Grigorovich's staging is a feast of classic dancing (I wish his Sleeping Beauty had been as well presented this season) and in its celebrated make quartet the Bolshov men produced that the Bolshoy men produced that impeccable, noble dancing which is to be seen with no other company in this test-piece of academic style. It is typical of the Bolshoy that such strength should seem natural and easy: sixteen classic soloists, the vivid ensemble in the character dances, demonstrate a grand assurance — and it is worth watching Gediminas Taranda in a sole fragment to see how rhythm can inhabit a dancer's body. Nina Ananiashvili was a youthfully attractive Raymonda, Alexey Fadeyechev

her ever-elegant cavaller. Under Algis Zhuraitis and Alexander Kopylov, the Wren Orchestra has provided sure

accompaniment this season. Clement Crisp

A Little Night Music

the great success of lan Judge's Chichester revival, Judge's Chichester revival, which opened last night on the 60th birthday of the theatre's retiring artistic director, John Gale, that the item is properly restored by Dorothy Tutin to its dramatic context.

The show was always a schlagobers version of the 1956 Ingmar Bergman movie, Smiles of a Summer Night. Hugh Wheeler's hook and Sondheim's lyrics set up a curious tension between Scandinavian angst and Broadway bitchery. Mr Judge and his designer, Mark Thompson, have settled boldly for Scandinavian Post-

boldly for Scandinavian Post-modern chic rather than the rather stilted turn of the cen-tury look I remember at the Adelphi in 1975.

The dinner-suited choral quintet are replaced hy wraith-like spirits in pastel 18th century fig. They glide and stoop, enveloping the char-acters in their own stories. They all sing superbly. The

CHICHESTER FESTIVAL THEATRE

Stephen Sondheim's 1973
musical had a famous last-minute addition, "Send in the Clowns." It is an indication of Clowns. The Clowns of Clowns are considered by a graphous the full-throttled and simultantic contents to the contents of the law yer Fredrik (Peter McEnery) extraordinarily well, leaving the contents of the law yer Fredrik (Peter McEnery) extraordinarily well, leaving the contents of the law yer Fredrik (Peter McEnery) extraordinarily well, leaving the contents of the law yer Fredrik (Peter McEnery) extraordinarily well, leaving the contents of the law yer Fredrik (Peter McEnery) extraordinarily well, leaving the contents of the law yer Fredrik (Peter McEnery) extraordinarily well, leaving the contents of the contents ble, full-throttled and simulta-neously inflective. Miss Tutin gives one of her very best per-formances, partly because her is represented by a gorgeous half-proscenium, full of gamboiling cherubs, stuck at a per-manent angle to the stark, scrubbed façade of the Scandimittel-European vocal mannernavian country house. isms are entirely eclipsed by In the programme, Mr Judge invokes Marivaux while sniffing at Viennese schmaltz. At first I gibed at this, but think the glottal eccentricities of Lifa Kedrova as her mother.

Mother is another story. Madame Armfeldt is supervis-Madame Armfeldt is supervis-ing the musical by telling her grand-daughter (Debra Beau-mont) that the night will smile three times – for the young, the fools, and the old. It does so, the triple format reflected in the predeminence of the he is right. The score is not saccharine, although it com-bines the rhythms of Johann Strauss with the contemplative lushness of Richard. It is bitter sweet, tart you might say, and the production is to match. in the predominance of the Fredrik's virgin bride (Deborah Poplett) is embroiled with her suicidal, cello-playing stepson (Alexander Hanson), while Fredrik's rival for Desirée, the waltz rhythm. These waltzes are gentle, seductive, military and macabre. The Act 1 finale is a syncopated conglomeration of twice in a bar triple time, "A Weekend in the Country", an item of Mozartian complexity tempestuous Count Carl Mag-nus (Eric Flynn), is insuffer-ably and comically disloyal to

and satisfying narrative unity.
Hermione Gingold hovered
with waspish melancholy over all this in New York and Lon-don. Her successor, Lila Ked-



Peter McEnery and Dorothy Tutin

making Mme Armfeldt, a creature of swooping and sweeping judgements in a glittering evening gown and an elegant fright wig, an irrestible amal-gam of Eartha Kitt and Colette. Her vowels are of a death-defying stangulation pitch, and she transforms the sleepy old cata-logue song, "Liaisone", by bursting in to complain of a

world where kings have become employers. You feel she has not only seen most of old Europe, but consumed it as

The musical has been as well thought oot and cast as it has been sensitively lit by Nick Chelton. It restores Tutin and McEnery in their rightful posi-

while the London musical direction of the late Ray Cook could hardly be bettered, John Owen Edwards runs him very close to the tape. In every respect, this is a superb even-ing, with more than a passing premonition of Lloyd Wehber's Aspects of Love.

Michael Coveney

Massenet's 'Chérubin' in Santa Fe

Five productions, all of them hrand new, make up the Santa Fe Opera's thirty-third season, which opened at the end of June and will finish in three weeks' time. To London-based opera-goers, used to a similar number of fresh productions eked out through a whole year at Covent Garden or the Coliseum, the energy and the depth of resources available to this company are salutary. Not content with enjoying what must be one of the most spectacular settings for an opera house anywhere in the world — perched at 7000 feet among the red-ochre hills of New Mexico, and open to its endless velvet-black skies, the company is always seeking to enrich and expand its repertory.

As well as a regular commitment to presenting brand new works, the ros-ter of operas for which Santa Fe has mounted the American premières is immensely impressive and catholic too: Luku (in both two act and threeact versions). Owen Wingrooe, Villa-

the scheming Countess (Susan

Hampshire finding a new

By now you must be asking, fine, but can these actors sing?

Lobos' Yerma, Stravinsky'e Perséphone, five operas by Henze, two each
hy Hindemith, Penderecki and
Schoenberg, and the first professional
stagings in the US of no less than five
by Richard Strauss.

The novelties this year are the US
première of Judith Weir's A Night at
the Chinese Opera, of which much
more tomorrow, and Massenet's Chérubin, for which no primacy is claimed,
but which is nevertheless an exceedingly rare score to haupen upon in a ingly rare score to happen upon in a fully fledged, not to say lavish, pro-

Chérubin was first seen at Monte Carlo in 1905, with Mary Garden in the title role. It is based upon a play by the Belgian dramatist Francis de roisset, which picked up the story of Cherubino where Beaumarchais (and Mozart and Da Ponte) left it. Cherubin has advanced to the age of 17, now has the run of his own splendid château, but is still hopelessly impul-sive and apt to be carried away by almost every woman he encounters.

In the opera he at lest is made to realise that quality rather than quantity is what counts in such matters, and for the first time he's able to sort who takes every or out where his true affections lie.

It is a neatly worked but desperately slender plot, and returning to this highly conventional, stereotyped view of the character so soon after encountering the randy, sweat-shirted Cherubino of Peter Selars' Figure in Prophese New York Chernbino of Peter Sellars' Figuro in Purchase, New York was a culture shock indeed. A jolt too in the music, for though Massenet evidently responded to de Croisset'e play with huge enthusiasm, secured the operatic rights and composed the score at great speed, he did not put into it more than a modicum of his best music. Even the most rabid defender of Massenet'e worth would find it hard to make a case for very wuch of hard to make a case for very much of this; the purple patches are strictly rationed, and curiously it is the music for Nina, the faithful girl who eventually wins Cherubin's heart, rather than that for the hero himself which

In Santa Fe the score is conducted for all it is worth by Mario Bernardi, who takes every opportunity to put some muscle into the music, though parists will regret the passing of por-tions of the second and third acts - a draconian cut near the final curtain brings the opera to an end with a definite jolt. A significant fraction of the singing passes muster too, partic-ularly that of Frederica von Stade as Chérubin (the lad is still deemed young enough to be assigned to a soprano), and whose keenness to sing sopramo), and whose Reamiess to sing the role on stage was evidently the trigger for this production. She gilds the phrases with unfailing grace and delicate shading, though her words (the opera is given in French) carry little better than those of ber colleagues. The Nina of Sheryl Woods is uncomplicated, appealing and stylishly sung, while Koren Huffstodt cuts a spectacular figure as L'Ensoleillad, the exotic dancer whose charms are obsessing Chérubin at the

start of the opera.

The remainder of the casting and the remainder of the casting and the production itself by Giulio Chazalettes are considerably less rewarding. Instead of accepting that discipline and an scute sense of style are the ways to overcome the opera's weaknessee, we are confronted with an approach that guys the action at every turn, and in which everyone is encouraged to stand around in the most unlikely of poses. The opening kitchen chorus, danced to a flurry of beribboned sausages and baguettes einks one's heart into the ground before any soloists have opened their mouths. Even von Stade is not immune from this desperate plague of over-acting, and neither Massenet's cause, nor that of French comic opera in general, is best served by well-meaning yet embarrassing ven-tures such as this.

Andrew Clements

BBC Philharmonic

The performance of Strauss's though it has to be said the Ein Heldenleben at Wednes. Oslo players communicated a day's Prom was dedicated to a far more striking vision of the the planist John Ogdon, who score's structure and detail-died on Tuesday. For a man The BBC's final chord also who spent much of his life offered a host of different ideas championing grand and difficult piano works and in his later years struggled to over-come personal battles with immense fortitude, the theme of a hero'e life was by no meane inappropriate. To Edward Downes and the BBC Philharmonic Orchestra he had

been a personal friend. The orchestra has often been heard recently at the Proms as the purveyor of large-scale romantic scores and on this occasion they turned in a thoroughly respectable account of Ein Heidenieben, even if it fell ebort of full heroic stature. Downes is an adept Straussian rather than a flamboyant one and the performance was very much the thoughtful affair one might have predicted.

In this work, as in Bax's Tin-tagel which had opened the programme, the orchestra produced a clean, tensile sound. The general feel was akin to that of the Oslo Philharmonic when they played the same piece here, with strings short on warmth and brass riding the orchestra prominently

on how to pitch E flat.

Earlier Raphael Walifisch had joined the orchestra for Walton's Cello Concerto; arguably the least well-known of the composer's trio of concertos for stringed instruments. A few hints of suspect intonation apart, this was an idiomatic performance, which showed a subtle appreciation of how to manage rubato in Walton, teas-ing out the yearning suspen-sions to just the right degree. The piece dates from the composer's time on Ischia and the contented climate of that

location is reflected in music that stretches itself languidly in lazy, sensual themes. It is a concerto which eeeme consciously to assume a profile that is neither deep nor serious, and that no doubt accounts for its having failed to become as popular as the Eigar. Its craftsmanship and seductive lyricism, though, should persuade audiences oth-

Richard Fairman



Bernard Bresslaw

The Swaggerer

This nightmarishly unfunny rehash of Plantus leaves one stunned with its mediocrity. To call it undergraduate would be to insult even today's declining educational standards. The fault lies not in the intentions of adapter Brian Trueman. composer Carl Davis or producer Caroline Smith but in their execution. (If, in this French Revolutionary year,

you see what I mean.)
They know that Plautus'
originals were the first musicals, in some cases consisting of up to 80 per cent singing, and that the dialogue was pep-pered with bawdry, doubles entendres and the clowning that we in Britain still enjoy. in expurgated form, in panto-mime. The trouble lies with the actual quality of the work: numbingly corny old jokes, leering smut reiterated so that the feeblest intelligence can grasp it ("Can you grasp it?"
"Can you - handle - it?"
nudge, smirk). According to
this production the Romans flogged their jokes, like their slaves, to death; e greater crime against humanity, theat-

rically speaking.

The title-role of course defines the Miles Gloriosus, the

braggart soldier, a vain bully, a liar, a lecher and ultimately a coward. His bombastic type is familiar from commedia dell'arte; his descendants on the English stage are legion and include the shabby genteel form of Falstaff, refined and moderated by the civilising north. Bernard Bresslaw has nothing to do in the part
except buff and puff, boom,
snarl and gawp when taken in,
like the later fet knight, by
false promises of love.
These are provided by Sally

Dexter's Acerbita, a luscious figure combining elements of Joan Collins and Jane Russell, blue of eyelid, moist of lip and restless of tongue, who vamps ber way splendidly through an Act I finale as e woman of ill repute juet when we are dreaming longingly of the golden age of theatrical sophisgotten age of theatrial sophis-tication (Brian Rix, Budgie).

Along with a little drunken song from Teddy Kempner and the bedraggled dimness of David Mallinson's thick-witted slave, Miss Dexter shows there is life - and style - in the

The plot is soon lost in the general floundering search for a consistent style, and sub-

merged in the jog-trot tinkle of end-of-term theatricals on the Mr Davis' score that makes one enterprise. Or perhaps that yearn for the trail-blazing trenchancy of Salad Days. Four ever-present "Cantors" comment, sing (indistinctly miked, which scarcely helps with the unfolding of events) and partic-ipate from a raised stage within the acting area. Simon Higlett'e design gives it an authentic-looking painted backcloth and places the small band stage right to be led by Stefan Bednarczyk in a toga setting the ultimate seal of

enterprise. Or perhaps that as the manipulating slave Trogo - the Frankle Howerd part. Two and a half relentless honrs of the inexhaustible (unlike me) Mr Talbot produce more funny voices, funny faces and jocular chat with the audience in the interval than we usnally get in the whole Regent's Park season.

Martin Hoyle

A Midsummer Night's Dream

Britten's operas may be quite well known in Germany, hut they are not yet familiar enough to preclude the wonder and respect that seems to greet each new production. The Germans are still learning not to underestimate Britten. This staging of A Midsummer Night's Dream in Frankfurt is welcome because it gives such an accurate impression of Brit-ten's genius as a musical dramatist. Gary Bertini and his orchestra ehow themselves to be completely inside the idiom, playing with the kind of inspired coherence and attention to musical emphases that casts a spell over the whole

performance. Bertini has been equally astute in his choice of cast: all are young and gifted singer-actors, who respond vividly to the music and the stage direc-tion of Thomas Langhoff. After the turmoil suffered by the company in the wake of the opera house fire 20 monthe ago, it is good to be able to report such a clear artistic success. Britten's Shakespeare opera fits the smaller scale of the Schauspielhaus far better than it would the large theatre next door. Indeed, judging by the clear acoustic and freedom of interplay between the page 1 of interplay between stage and auditorium in this production, there may be some who will regret having to return to the rebuilt opera house early in

The production's least promising aspect is its visual frame-work. The East German designer Pleter Hein has tried to clarify the distinction between netural and supernatural by putting them on differ-ent planes – the front-of-stage world of everyday reality inhabited by lovers and mechanicals, and the eupernatural world on an elevated, enclosed stage, with all the dislocated perspectives associated with dreams. The idea is not e bad one, but it is neutered by the clinical, colourless decor, which searches in vain for a contemporary resonance and

makes no reference at all the the magic of the wood. A much better guide to the various levels of awareness is provided by Kazuko Watanabe's costumes: chic white summer suits and long dresses for the lovers, old-fashioned black Sunday best for the rustics and exotic gowns and head dresses for Oberon and

What takes the production out of its visual surroundings and onto a complementary plane to the music is the qualplane to the music is the quality of ensemble work. Langhoff brings out the comedy fantasy and innocence, without ever indulging himself or his audience. He is well served by the precocious confidence of the Tolzerknaben and by a Puck, David Bennent, who gives the impression of a diminutive, loud-mouthed brat, the kind of gravel-voiced teenage nunk gravel-voiced teenage punk who is infurieting one moment, and disarmingly amnsing the next. The four lovers convey a sense of youthful abandon and emotional shortsightedness, with the fresb baritone of Rodney Gilfrey showing special promise. The mechanicals, led by Greg-ory Yurisich's Bottom, are all the more effective for the way they resist the temptation to play to the gallery.

But the outstanding contributions come from Jocheo Kowalski and Audrey Michael as Oberon and Tytania. Miss Michael'e extremely seductive coloratura soprano is matched to a stage personality that combines chaste beauty and feminine radiance. She is a most attractive singer, well able to project the pure deli-cacy of Britten's music with her unobtrusive technique and fast vibrato. Kowalski is no less mesmerising his countertenor is ample and noble, and he fills the stage with expressive poise – all of which suggests his Orpheue in London with the Komische Oper next week is not to be missed.

Andrew Clark

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FINANCIAL TIMES

ARTS GUIDE

MUSIC

London
The Prums. Works by 114
composers will be heard during
this year's Promenade Concert
season, which continues until
September 16. Most concerts take
place at the Royal Albert Hall,
though St Paul's Church,
Knightsbridge, and Kensington
Town Hall are also used. Tickets
for most concerts cost from 53 for most concerts cost from £3 to £11, and can be booked on 599 £212, 599 9485 (10sm-6pm) or 879 4444 (24 hours); promenad tickets are available only at the door on the day of the concert priced at £1-50 or £2.

priced at £1-50 or £2.

This week's concerts include
London Choral Society and BBC
Symphony Orchestra under
Lothar Zagrosek, playing Kodály
and Brahms (Fri); BBC Concert
Orchestra conducted by Barry
Wordsworth in a programma
of American music (Sat); Acedemy of Ancient Music, conducted
by Christopher Hogwood, in a
performance of Handel's Orlando
(Sun); Royal Philharmonic
Orchestra, conducted by Vladimir Ashkenazy playing Brahms,
Mussorgsky and Gillère (Mon);
BBC Symphony Orchestra, conducted by Andrew Davis and
Witold Lutoslawski playing Witold Lutoslawski playing Ravel, Lutoslawski and Berlioz (Tue); BBC Philharmonic Orchestra conducted by Edward Downes in a concert of Bax, Wal-ton and Strauss (Wed); and the BBC Philharmonic Orchestra ted by Valery Gergiev, g Prokofiev, Schnittke and

Clarinette Pascal Moragues.

fkovsky (Thur).

Gilles Henry (violin), Yves Gues Beiry (Vaino), Ives Henry, (piano), Bartok, Khaicha-turian, Berg, Stravinsky (Tue) Auditorium des Halles. Orchestre Symphonique des Jeunes en Ile de France conducted by Bertrand de Billy. Cyril Marle, (piano). Beethoven, Schumann (Wed) Auditorium des Halles.

Chamber Music. String sextuor from Lille conducted by Fabrice Pierre, Francis Pierre, (harp). A. Tisne, N.G. Dao, Schoenberg (Thur) Auditorium des Halles. Instrumental Ensemble da Capo: Bach, Corelli, Mozart, Vivaldi

Bach, Corelli, Mozart, Viraldi (Mon, Tue, Wed) Saint-Louis en L'ile Church (45231825). Paris art Antiqua: Music from the Crusaders period, with Guil-laumede Machaut 14th century, and the Golden Age of Spanish Music 16th century, (Thur) at Sainte Chapelle with its jewel-like 18th century windows 4 like 13th century windows, 4 Boulevard dn Palais (43405517).

Summer festivals in France.

Le Chaise-Dieu in Auvergne, Ang 23-30 (71000115). Saint-Jean-de Luz, Ang 30 - Sept 16 (52260315). Le Roque-d'Antheron, Aug 1 - 23 (42505115). Menton, Aug 5 - 31 (93575700).

Amsterdam

National Youth Orchestra, with Adam Gatehouse conducting Strauss, Debussy, Mahler. (Sun) Concertgebouw. Mitsuko Uchida (piano), Schub-ert, Debussy (Tue) Concertge-

Reinbert de Leeuw (piano) Satie (Thur) Concertgebouw.

Kammerkonzert Borante Kla-vier-Trio London, Mozart, Bee-thoven, Mendelssohn, Palais Auersberg, CFD. Haydn Sinfomietta, conducted by Manfred Huss, Mozart, Hum-mel, Beethoven, Grosser Redoutensaal (Sat. Mon). Warsaw Sinfoula Wind Eusemble. Hindernith, Eilar. Secession.

(Sun). Camerata Sinfonia Varsovia. Dobzynski, Spohr. (Mon) Sinfonia Varsovia, conducted by Bruno Well. Mozart, Bes-thoven, Haydn. Arkadenhof. (Tues, Thurs) Polish Kammerorchester, conducted by Jan Stanienda, Mozart, Rossini, Palais Schonbrunn,

Bad Wörishofen

Ivo Pogorelich Festival. This first festival initiated by the Yugoslav pianist Ivo Pogorelich, aims to support young musi-cians. Among the musicians are violinist Iduard Wulfson and planists Franz Massinger and Frederic Chiu. The Southwest Baroque Soloists are conducted by Helmut Erb. Planist Alexej Sultanov made a very successful German debut in Munich in 1988; the Lithuania Chamber Orchestra, founded and conducted by Saulius Sondeckie, are the win-ners of the Herbert von Karajan foundation for the best young orchestra; while violonist Kyoko Takezawa won the International Violin Competition in Indiana-polis. The Artis Quartet, cellist

Antonio Meneses and his wife piamist Cecile Licad will also

Evita, Andrew Lloyd Webber's musical with Florence Lacey in the title rule. (Fri, Sat, Sun) Philharmonie.

29th Festival of Organ Music, in Tuscany, 14th Cantiere Inter-nazionale d'Arte - founded by Haus Werner Heuze in 1976. Clos ing concert (Sat) at the Tempio di S. Bizgio, 2 mass, "Argentum et Aurum" by the eclectic fleur-ish composer, Helmich Isaac, who spent much time at the court of the Medicis, elaborated for for four voices (Nicolas Howard, Andrew Watts, Niall Morris and Michael Harpham), organ and orchestra (the London Parnassus), conducted by Mar-kus Stenz. Until August

Tokyo Metropolitan Symphony Orchestra, conducted by Nao-zumi Yamamoto. Bach, Bee-

August 4-10

appear. The opening concert will be given by Pogorelich himself. Aug 1-8 (08247/850253,3939). Bad Wörishofen, Postfach 1442. Frankfurt Bockenheimer Warie: Andre Heller's great Chinese circus, performs all week.

Montepulciano

14.(717092/758213).

thoven, Beatles. Suntory Hall (Mon) (822 0727).

FINANCIAL TIMES

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Friday August 4 1989

Italy's role in Europe

MR GIULIO ANDREOTTI'S return to office for the sixth time as Prime Minister of Italy is an encouraging event for those other European leaders anxious to force the pace towards monetary integration within the Community. At the level of heads of government, his commitment to the European "idea" is second to none. Moreover, having spent tha last six years as Foreign Minis-ter, be will have gained some awareness of the crucial domestic reforms which are still needed to validate Italy's credentials as a spearhead of European integration.
When Italy takes over the

community presidency in 12 months' time, Mr Andreotti's skills of mediation, much applauded during the last Italian presidency in 1985, could be extremely valuable in launching the inter-governmental ing the inter-governmental conference which is designed to plan for the oext stages of monetary union.
When introducing his gov-

ernment's programme to the Italian parliament last week. Mr Andreotti appeared to relisb Italy's looming responsibility for calling such a confer-ence. If Mrs Thatcher sticks to her guns she will oppose it. Mr Andreotti will certainly stick to his and should win the question by majority vote in the Council of Ministers. If bridges can possibly be built between conflicting positions at the subsequent conference, then there are few better equipped for the task than the Italian Prime Minister and his Foreign Minister, Mr Gianni De Michelis.

Better citizen

Their authority would of course, be all the greater if Italy was seen to be trying harder to be a better Commu-nity citizen. For the moment, Mr Andreotti sees the question in the rather narrow terms of a swifter and more efficient application of EC directives. A broader vision would appreciate the oced to jettlson the petty bureaucratic protectionism practised at Italian borders and for greater realism about opening op the domestic car market to Japanese competi-

Aligning Italy with the European mainstream does not end ere. The Delors report specifi-

cally urges governments to begin curing significant eco-nomic imbalances. Tha perilous significance of Italian bud ous significance of Italian bud-get deficits - this year's will be 11 per cent of gross domes-tic product - needs no under-lining in a Europe moving towards free capital move-ments. Mr Andreofti's coalition will need to show that it bas more than a rhetorical strategy lation of government debt which now approximates to annual GDP.

Fresh hope

Mr Guido Carli's appointment as Treasnry Minister serves to provide some fresh hope since the former Gover-nor of the Bank of Italy is a man of proven ability who says he is ready to risk public unpopularity in the cause of restor-ing a better balance to public

There is much less reason to doubt Mr Carli's determination than that of some of his colleagues. Italian ministers are generally loath to court electoral retribution and if Mr Carli tries to turn his colleagues towards the sound of gunfire, there is the ever present danger that they will berd in the opposite direction. Sadly this is only one of sev-

eral potential threats to Mr Andreotti's sixtb administra-tion. Another is the distant thunder of renewed civil war within the Christian Demo-cratic Party whose recapture of the premiership after the 1987 general election has regretta-bly coincided with the return to instability of Italy's governing coalitions. Some of the responsibility for this has to be responsibility for this has to be laid at the door of Mr Bettino Craxi, the socialist leader, who may yet be tempted to unseat Mr Andreotti and to force early national elections if his party does well in local polls next

Mr Andreotti will strive to achieve his European goals, but will be hampered by the need to play the political game at bome. In this, his position is not fundamentally different from that of other European leaders. But the Italian version of tha game is so complex that the gulf between aspirations and action may prove too wide

An arts policy in disarray

THE PHYSICAL condition of the Tate Gallery in central London gives some indication of the priority accorded to the arts by the Thatcher Govern-ment during a decade of rising national prosperity. The roof is so leaky that buckets bave had to be put out to collect drips. Priceless works of art have narrowly missed a drenching. The main building lacks both air conditioning and smoke

The Tate's plight is by no means exceptional. After years of neglect, it is estimated that around £100m needs to be spent to repair the crumbling infrastructure of London's leading museums and galleries. The chairmen of the top five institutions recently wrote to the Prime Minister warning of an impending financial crisis. Their protest was immediately echoed by Mr Luke Rittner, the secretary-general of the Arts Council, the body which distributes government subsidies for the performing arts. An inability to maintain huildings and equipment is far the from only problem facing arts administrators. A more immediate concern is how to finance salaries, which in the case of the leading museums rise autothe leading museums rise auto-matically in line with civil ser-vice awards. Government grants to museums and the performing arts are rising at an annual rate of little more than 2 per cent – far below the rate of inflation.

Budget surplus

Many foreigners will find the squeeze quite baffling. Britain, they have heen told, is enjoying an economic renaissance. The economy has expanded by more than 25 per cent since the 1990/81 procession. The Courter the control of the more than 25 per cent since the 1980/81 recession. The Government is running a budget surplus approaching £18bn. Artistic endeavour, moreover, is a field where the UK is reckoned to have a comparative advantage. In manufacturing industry, Britain can hoast too few companies of world class. But the atory is different in the arts: the Tate Gallery, the Victoria & Alhert Museum, the Royal Shakespeare Company, the English National Opera: the English National Opera: these and other institutions are or were - acknowledged leaders in their fields. Why

impoverish them? The answer has nothing to do with economic necessity

The arts are a negligible drain on the Treasury. Total central government spending — including that on libraries and the beritage - is only £439m, less than a quarter of 1 per cent of total public expenditure. The motivation behind present policy is ideological. Ministers believe that artistic bodies should be less dependent on the state. They have looked, starry-eyed, across the Atlantic and seen that US arts organisations are predominantly funded by sales revenue and personal and corporate donations. Surely, the argument ran, the same could happen here. Hence policies such as "incentive funding" under which the Government provides £1 for each £2 raised from non subsidised sources:

Commercial pressures

The decision to emulate the US was not rationally justified. There was no attempt to inves-tigate the relationship between tigate the relationship between funding methods and quality of artistic endeavour. Nobody asked why the US lacks anything equivalent to the Royal Shakespeare Company or the National Theatre. Nobody asked what effect commercial pressures would have on innovation in the arts or on participation by different social groups. No effort was made to examine the merits of the very different policies pursuad by different policies pursuad by close neighbours such as West Germany and France.

Arts organisations have done Arts organisations have done their hest to make the new policies work. They are attracting more money from business and they are adopting a more customer-oriented approach. But sponsorship still provides only a fraction of total revenue. Like it or not, the vitality of the arts in Britain will remain dependent on the generosity of dependent on the generosity of the state for the foreseeable future. The three-year pro-gramme of funding announced in November 1987 did not seem harsh at tha time. But it was not framed with current rates of inflation in mind Noveld it of inflation in mind. Nor did it allow sufficiently for crumbl-

ing infrastructure. Surveys show that a large majority of people from all social classes sopport higher spending on the arts. The Government should respect these wishes and announce a realistic arts budget this autumn.

Congressional Budget Office Three views of the US economy 91-day Treasury bill rate Unemployment rate GNP implicit deflator Real GNP growth Blue Chip /*CBO Blue Chip Blue Chip 3.5% Administration 3.0% Administration 2.5% *CBO 20% Administration 4 8 1 Administration Blue Chip 6,5% 5.0% 1990 1990 1990 1989 1990 1988 forecest forecast

Anthony Harris examines whether the long-predicted recession in the US has finally arrived

Tense hopes for a

be US economy currently looks, to the more easily frightened of those watching it, like an enormous ship it, like an enormous ship heading dangerously near a reef. The traditional fiscal propulsion system is out of service, and the monetary steering gear produces a delayed and rather unpredictable response. Every new figure is examined far more closely than its inaccuracy should justify. Perhaps worrying seems better than doing nothing at all.

People feel helpless. What the strength of the stock market seems to predict, in fact puzzles many investors. Forecasts for the near future, as can be seen, are plentiful but varied; but there is little disagreement about the current facts. The long Reagan expansion has turned decidedly anae-mic. Manufacturing output has fallen in the last two months; this is mainly because of an inventory problem in the motor industry, which accounts for about 12 per cent of the whole

Sales are some 5.2 per cent down this year, and the industry expects them to fall another 5-10 per cent next year. The market is thought to be saturated. Other sectors are also weak. The current computer slump, which is causing lay-offs and sharply reduced profits, is also put down to saturation, and some confusion over the next steps in technology. Defence spending is subject to bureaucratic and congressional fits and starts but is expected to fall steeply in the long

In general, retail inventories are a little high, and total output is expec-ted to fall further in the current quarter: the evidence of the survey of purchasing managers, the most widely quoted survey of current industrial experience, is dramatic, and unusnally consistent.

This survey, and manufacturing, could still turn round very suddenly, as they have on occasions in the past. However, some troubles in other parts of the economy are likely to prove long-term. Public spending is caught in a painful squeeze, both at Federal and stata level, as the President remains opposed to any tax increases and state Governors, who are broadly

required to balance their budgets, try to limit the increases they are forced to impose.

Meanwhile, Federal fiscal policy is squeezing demand. The deficit has halved as a proportion of gross domestic product since its peak in the Reagan years, and is expected to go on falling even if the Gramm-Rudman lew's target of \$100hn for this year is law's target of \$100bn for this year is missed. Taxes are not being raised though loopholes are being closed. The private economy has its own long-term problems. Housebuilding plans have been cut by 12 per cent

soft landing

since the start of the year; and although sales have rallied very sharply in the last two months, they are still 6.4 per cent below the 1988

actual

forecast

While the decline has been made very sharp by high interest rates, it was expected in any case: the population in the main age group for house-hold formation will nearly halve between the late 1970s and the mid-1990s before recovering.
Fewer factories are heing built,

though orders for capital equipmen are still growing and may prove largely resistant to a mild recession. Commercial development, though, is running well ahead of demand in

many parts of the country.

This has worrying financial implications: the long-awaited turnround carons: the long-awaiten turnround in the Texas economy is stalled again, and one of the very few surviving Texas banks of any size has applied for a second rescue by the Federal Deposit Insurance Corporation, Now banks in other parts of the country especially in former boom areas in the north-east and California - may find themselves in trouble with their con-

This sad list is a reminder that sec-toral and regional recessions are nothing new in the US economy; they have punctuated the whole of the six-year expansion, but the buoyancy of the whole economy has turned most of them round. The mid-West — the ruined rust belt of a few years ago — is still optimistic and active, despite the current troubles in Detroit, and reports from regional banks, which have the hest feel for the general economy, remain strongly positive. Important sectors of the economy are still strong. Farming is recovering vigorously from Weak prices and dreadful weather, tha civil aircraft industry is more than fully stretched for the foreseeable future, and services have expanded.

However, service growth looked weak in June, and employment growth has slowed, except in trans-portation and medical services. In real terms, personal spending on services has been growing at an annual rate of about 4 per cent (the average of a very volatile series) even when buying of goods had slowed to less than 1 per cent annually, and now accounts

for 54 per cent of total personal spend-ing, and 51 per cent of GDP. This growth is driven mainly by the

This growth is driven mainly by the necessities of a gently ageing population — favourable demographics; it probably also owes more than the statistics seem able to capture to the devaluation of the dollar. Americans holiday at home more, and foreign tourists spend more. In all respects, granding on services ought to be spending on services ought to be fairly immune to the business cycle and to the level of consumer confi-dence; and it is also largely immune to interest rates. It is not, however, immune to a real squeeze on incomes.

The information we have at present is Fed Chairman Alan Greenspan

Chairman Greenspan in his testimony did not promise no recession - only no big recession Allen Sinai, The Boston Company

It will not be easy to land smoothly may tear off a wing. Fed Governor Martha Seeger

The Congressional Budget Office does not anticipate a recession. The stock market, which has almost always fallen before previous recessions, continues to rise. Congressional Budget Office Director

Robert Reischauer

"If the services sector of the economy goes, so will the economy," Mr Allen. Sinal of the Boston Company writes

The service economy is also a key to understanding the strength of the economy in the recent past; for it must be remembered that if there is now a recession, it is very late arriv-ing. It has been confidently forecast ing. It has been confidently forecast by economists for at least two years. Most of the discussion, however, has focused on the more volatile goods-producing half of the economy; a sig-nificant fall in services would be seen only in the severe recession which Mr Greenspan says he is determined to

Two crucial questions arise now that this is at least an outside possi-bility: can the Fed in fact engineer a bility: can the Fed in fact engineer a quick turn-round in the trends, or are the lags in monetary policy too long? And is a deflationary spiral, with falling demand feeding back into falling income, already established, at least in its early stages? This will depend on the response of consumers to the mild rise in unemployment which all forecasters expect. The question about Fed policy is more complicated.

about Fed policy is more complicated.

The most obvious source of strength in the last two years has been the turnround in the external account, and especially the rate of growth of merchandise exports. Exports are still growing strongly—17.2 per cent higher in the last 12 reported months than in the previous 12, and growing through the year at an annual rate of more than 12 per

cent. This hardly looks like recession.

Howevar, merchandise exports account for less than 8 per cent of GNP, and import growth has also accelerated recently; evan on the more optimistic forecasts of the trade balance (which tend to assume at least a mild recession) net exports - export growth minus import growth are unlikely to rise as much as \$40bn. This would contribute well under one per cent to GNP growth. That is not enough to offset the rise in personal saving already established: saving has recently been run-ning at an annual rate nearly \$100bn above 1988. What, then, can be done if demand proves weaker than the consensus forcecasts expect?

American commentators tend to attribute enormous influence to monetary policy, though the doctrinaire monetarists argue that a sharp recession is already inevitable, given the very slow growth of the money supply in the last two years. Money growth has recovered since policy was relaxed at a speed which appears to baffle even the Fed, but monetarists will expect no early results. More mainstream analysts argue simply that high interest rates deflate

The experience of the very deep 1981-82 recession during the Volcker squeeze, and the fact that the current weakness is most noticeable in cars and housing, sectors sensitive to bor-

rowing costs, seems to confirm this judgement. However, a British observer, with experience of an economy which at some periods has shown almost no response to interest rates in any normal range, must be more sceptical. A falling housing trend is almost certainly inevitable, whatever happens to the cost of borrowing; and falling sales of new houses have a large impact on the market for household durables.

The rise in interest payments to the

market for household durables.

The rise in interest payments to the business sector has been small and stable — 24 per cent of income, no higher now than in 1937. The growth of personal interest receipts — shout 14 per cent of total personal incomes — has transferred perhaps a percentage point of incomes from borrowers to depositors, and this may explain part of the rise in saving; but monetary policy can do only a limited amount to revive the economy through this income transfer effect.

The main help from lower interest rates will have to be sought, as it usually is, in the car and othar largeticket durable markets, However, the

ticket durable markets, However, the car market is also sensitive to con-sumer confidence, which has fallen streeply this year, and is already largely insulated from interest rates through special financing offers (and the strength of sales in July is partly the strength of sales in July is partly put down, ironically enough, to the fear that prices will have to riso steeply to pay for these and other concessions). The rest of the durables market is too small a base on which to raise the whole economy.

However, interest rates do have one powerful patential effect: if they are

powerful potential effect: if they are allowed to affect the exchange rate, they can stimulate the economy when they fall and check it when they rise. The rise in the dollar earlier this year has been largely reversed, which gives the best hope that the economy will indeed land softly. This might require much bolder action than we have seen from the Fed since the full-out monetary expansion of 1986, designed to bring the exchange rate down; it has squeezed only cautiously. The squeeze had to be cautious because of the risks in over-leveraging in property – and now in many manufacturing companies too. But the Fed can probably risk boldness in especially wage pressures, have been much milder than in previous expan

Indeed this more flexible, moderate labour market, which means that 5 per cent unemployment is no longer an Inflation storm warning, now appears President Reagan's most belp-ful economic legacy. The sluggish incoma growth which is inspiring fears of recession means that the Fed is free to combat it; but the exchange rate will be the index of whether it has been bold enough.

Enter Jim Smith

■ The faceless electricity Boards of England and Wales, which will lead their industry's privatisation next year, became flesh yesterday when their 12 chief executives collectively appeared before City analysts and the press for the first time.

The event was a personal success for Jim Smith, chair-man of Eastern Board, who had led the campaign for the 12 boards to be privatised as they stood, rather than in bun-dles of three or four or, still worse, gobbled up by the Central Electricity Generating
Board. In particular, he helped
to scotch the idea of the Electricity Council, the umbrella
body headed by former civil

body headed by former civil servant, Sir Philip Jones, retaining a significant role after privatisation.

Smith's primus inter pares role was evident in the way he co-ordinated the boards' joint presentation at London's Park Lane hotel on a glitzy set more appropriate to a television panel game. There was no hierarchy in the seating arrangements, but switches on his desk appeared to enable him to tell his peers when to speak and answer questions. speak and answer questions.
A gravelly and fluent Scot of 61 who looks ten years younger, he will doubtless continue to play a forceful role in the hattles still to be fought at the posterful gravetile. with the powerful generating companies, not least over sales to the important industrial

Real terms

■ What is the true meaning of "enhancement", the word used to describe the Brady Plan's proposals for supporting Mexico's debts by backing them with US Treasury bonds? According to the Shorter Oxford Dictionary, it is an increase in quality or value, though there was a 17th cen-tury usage which implied some

BSERVER

irony: for example, "taxes and customs daily enhanced — 1649." Perhaps that is the usage preferred by the Midland Bank. In its results yesterday, the bank says that its loans to Mexico are worth \$1.4bn. After "enhancement", it adds, these same loans will be worth

Sir Kit McMahon, the Midland Chairman, is after all a former tutor in English litera-ture at the University of Mel-

Loose ball And while we're on the

meaning of words, perhaps we could make clear the distinction between "refute" and "reject". Ted Dexter and the England cricket committee issued a statement on Tuesday about English cricketers playing in South Africa. "The playing in South Africa. "The committee entirely refutes the proposition." it said, "that players will be in some way crusading in a good cause." The statement did no such thing. The committee does not like the players' arguments, and it may be right about that. But it has not refuted them; it has rejected them or even it has rejected them or even simply replied to them. Refuta-tion is a logical process, not a slanging match.

Last man in

Margaret Thatcher's new team is finally complete after the pains of the reshufile last week. One of the last men to join it was the Earl of Strathmore and Kinghorne, who has been appointed a Government white the Herse of Landen whip in the House of Lords. He is a great nephew of the Queen Mother, and, like her, was born at Glamis Castle, where he still lives. His threeyear-old son is the present Lord Glamis. At 32, Strathmore will be

the youngest member of the

(BANX)

Government whips office in the Upper House, which is pre-sided over by Lord "Bertie" Denham, whose official title is Captain of the Gentlemen-at-Arms. Although the whips are usually among the last to be appointed in any govern-ment changes, it seems that this time the task of finding suitable people in the Lords was harder than ever. The reason is primarily financial. Not all peers are rich, and not all of them want to do full-time political service. And while it is true that the majority of hereditary peers tend to be Conservative, not all of them inherit their titles all thet young. Almost by defi-nition, there are very few young life peers. Strathmore is the 18th Earl – the Queen Mother wasa daughter of the 14th Earl

and succeeded his father in 1987. He will be paid £27,377 for discharging his new duties, which include counting heads as peers proceed through the lobbies and announcing whether the "contents" or "notcontents" have triumphed.

Moving picture ■ There is a splendid exhibi-tion at the Barbican Art Galtion at the Barbican Art Gal-lery in London called Through the Looking Glass: Photo-graphic Art in Britain 1945-1989. But it prompts the odd question. Does photogra-phy get any better with the development of more sophisti-cated cameras? And can you cated cameras? And can you really beat black and white? Most of the best pictures in

the exhibition come from the early period. There is a studio shot of Audrey Hepburn, taken by Angus McBean, advertising for Lacto-Calomine in 1951 that looks as if it could have been taken today. And there is a striking shot by David Balley of Christine Keeler that was taken this year that seems to belong to a much earlier style. The exhibition runs until Octo-

Try Mercury

British Telecom can still get its wires in a twist. As part of the package that included selling its data communications businesses to BT, McDonnell Douglas decided this week to move the headquarters of its computer services operations to London.

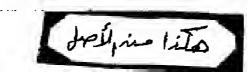
This led a bemused BT marketing employee to call the

This led a bemused BT marketing employee to call the Financial Times, to find out where the new HQ was. Asked why he had not asked his colleagues in BT, he repited: "I am sure you will apprecise that, in such a large organisation, I would just get shunted around from department to department."

Tax matters ■ A reader from PMM, some-

times known as KPMG, has sent us the placement for a seminar recently organised by the inland Revenue. It reads: "As agreed E&W and AY will be together and AA & Co will be on opposite sides of the room from PW." Clear?





Recent mergers among leading drug companies are transforming the industry, writes James Buchan

In the grip of takeover fever

he world drug business is being transformed in a mat-ter of just a few days this summer, a group of big and old-established companies have announced mergers that have startled and unsettled scientists and business people all over the \$100bn (£60bn)

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THE TRE

In the biggest deal the industry has ver seen, Bristol Myers and Squibh said last week they would combine their businesses into a company with \$8,6bn in sales and a research establishment only a little smaller than that at Merck, the industry leader. The day before, SmithKline Beckman and Beecham completed a merger to create a company with nearly \$7bn in sales. And a week before that, Merrell Dow and Marion Laboratories announced they were combining their operations into a \$2.3bn business.

operations into a \$2.300 business.

This is a textbook consolidation for a mature industry with low profits, aging technology and declining markets. But the US pharmaceuticals industry is not like that at all. Selling prescription drugs in the US can be more profitable than any other legitimate business, with a successful drug returning up to 45 cents in profit for returning up to 45 cents in profit for every dollar of sales. The industry is highly inventive, finding new drugs and opening new therapentic areas to science. And pharmaceutical markets are sure to remain strong as the average age of populations in the indus-trial world goes on rising. So why have these companies,

which have mostly prospered since the 19th century, chosen the summer of 1969 to merge?

The easy answer lies on Wall Street. In the past eight years, merger activity has jumped from industrial sector to sector like fire in a wood: first oil companies, then food manufacturers, book publishers, media companies, then airlines and now drug-makers. This summer, the stock prices of pharmaceuticals companies have been driven to record levels, nagging at the companies to do something to justify the values or lose shareholder favour. Before Squibh announced its deal with Bristol-Myers, rumours circulated round Wall Street that either Hoffmann-La Roche of Switzerland or Glazo of the UK was poised to buy the company for its presence in the lucrative US market. There is wistful talk of the Japanese drug companies coming in.

But inside the US drug companies, there is anxiety. Both businessmen and researchers fear that the cost of discovering a drug, testing it, having it approved by regulatory authorities in major markets and selling it to doctors and hospitals is becoming impossibly high just as the profits to pay for the research are coming into

After the mergers Pharmaceutical sales 1988, before merger announcement Company Pharmacetinals Collect

Merck (US) Cardiovaschar diffigs 5/02 Bristol-Myers Squibb (US) Cancer stead diseascellated tags 1 378 Glaxo (UK) Uicer dra SmithKline Beecham (UK) Ucer da CIBA Gelgy (Switzerland) Cardiov

Ms Mary Jo Veverka, a drug industry consultant at Booz Allen & Hamilton in New York, says. "The old rule of thumb was that it cost \$125-\$145m and 10 years to develop a new compound, in the second half of the 1980s, we've seem to combotion in P. & D. we've seen an explosion in R & D costs and that figure is now \$200m."
On the other side of the ledger, governments, employers and insurers are struggling to stem the rising cost of lith care. The industry likes to say that drugs are cheap compared with surgery and hospital stays. But there is growing pressure on doctors to pre-

'The cost of research is rising at twice the rate of inflation. We have to have the scale so we can afford the technology?

scribe generic or unhranded drugs, which are much cheaper than branded prescription drugs and much less profitable to the makers. This is probably now a \$10bn market in the US and Europe and growing rapidly, according to Mr James Reno, an analyst at Frost & Sullivan, market

Mr Jonathan de Pass, a drug analyst at Barclays de Zoete in London, says: "It used to be that even when your drug went off patent, you could still make some money. Now it can be devastated by generic competition." In the face of these pressures, exec-utives say they need to merge to cre-

ate a revenue base that will support a

big research establishment. Merck. the industry's ideal, spent no less than \$669m on its scientists and testers last year, but the new Bristol-Myers/Squibb will not be far behind with \$600m a year. Mr Joseph Stewart, a senior officer and director of Squibb, says: "The cost of research is rising at twice the rate of inflation. We just have to have the scale so that we can afford to use the latest and best technology." One drug industry expert, Dr. Jonathan Gelles of Werth-eim Schröder in New York, estimates. that companies will have to be spending at least \$1.50n on research by the middle-1990s. "On that analysis," he says, "six or seven drug companies will have to become part of larger

groups."

The companies also say they need money to market their drugs. Some executives seem haunted by the fate of SmithKline, whose best-selling ulcer drug, Tagamet, fell prey last year to ferocious competition from Glaxo's Zantac and products from Merck, Marion Labs and Eli Lilly. The company's profits collapsed and it was forced to seek refuge in the Bee-

In the \$18bn or more cardiovascular market, Squibh is fighting an equally fierce battle to defend its billion-dollar anti-hypertension drug Capoten against a Merck product and launch a new cholesterol treatment against an entrenched Merck drug. Says Mr Stewart: "Merck is the acknowledged leader in cardio-vascular drugs. We keep asking. How are we going to make ourselves better able to compete with Pravachol, our new cholesterol drug? We were talking about joint marketing the drug and Bristol was a finalist in these even before we got to

talk about a merger."
But these arguments leave important questions unanswered. Can size really guarantee success in the crapshoot of drug discovery? Can the companies really generate the revenues to feed the research beasts they make? Might these mergers be a substitute for restructuring not the thing itself? Ms Veverka says: "Once we've got this transaction wave out of the way, we can move on to the real fundamen-

tal restructuring."
Executives say that simply throw-

Selling prescription drugs in the US can be more profitable than any other legitimate business

money at research will not produce a drug. Mr Stewart points out that Squibb transformed itself into a real contender in the industry at the turn of the 1980s with research spending of less than \$60m a year. Many companies, with their bias towards chemistry rather than biology, were slow to catch on to progress in genetic engineering on university campuses and small start up companies in New England and on the West Coast. "It troubles me a little," says Mr Samuel Isaly, a respected New York stock analyst at Mehta and Isaly, "that such a large proportion of drugs are being found in garages. In some cases, the size and bureauctacy of the drug companies may make drug discovery harder."

Meanwhile, the drug companies are committing themselves to revenue gains which sound unsustainable in an industry where patent monopolies tend to be 10 years or less. Even Merck, a company of considerable intellectual force as well as wealth, needs a couple of new products every year to get the revenue growth to feed and equip its researchers. "Ulti-mately," says Ms Veverka, "this level of expenditure is not sustainable."

Lastly, size may be only a tempo-rary advantage in marketing the

In the old days, drug companies simply screened natural substances to see if they cured disease. In the 1970s, a revolution in technology allowed the industry to "tailor" drugs to spe-cific bodily processes — and this has made it a little easier to match breakthroughs hy competitors. The result has been that some therapeutic categories, such as ulcer treatment and cardiovascular, have become quite crowded with new drugs. In response, the companies have multiplied the marketing forces they despatch or "detail" to doctors and hospitals. And they are spending ever more money on what one executive calls an alphabet soup of clinical trials to differentiate their product.

In a sense, much of the vaunted research spending has as much to do with marketing as drug discovery. Meanwhile, in the US alone, according to one astimate, detail forces have increased at a rate several times faster than the number of physicians. And this is happening when doctors' freedom to prescribe new drugs has been sharply circumscribed as hospi-tals, Health Maintenance Organisations and other insurance providers to concentrate decision-making to rein in costs.

"You reach a point where the doctor is completely saturated with scientific literature," Mr de Pass says. One result is that lowly and stealthily, some prescription drugs are starting to compete on price. For example, high bopes for Genentech's genetically engineered heart drug, t.PA were dashed last year when trials proved inconclusive and many doctors simply stuck with a cheaper com-

In the end, the drug companies will have to find a way of reducing the cost of testing their products, either through technology or a more streamlined relationship with regulatory authorities such as the Food and Drug Administration in Washington. They must also cut the cost of selling the things. More than mergers, these are the challenges of the 1990s.

LOMBARD

The irrelevance of micro reforms

By Michael Prowse

IN AN amusing passage in Aldous Huxley's novel Crome Yellow, a mad country vicar sits despondently in his study. For years be has been predicting the End of the World. Yet it never happens. Man sins with impunity. Huxley's vicar reminds me of

those passionate free market economists - such as David Henderson at the OECD - who ceaselessly preach a gospel of deregulation and liberalisation. Time and again, the neo-classi-cal OECD of the 1980s bas emphasised the dangers of "structural rigidities" and made a treochant case for microeconomic reforms. How dispiriting it must be to dis-cover that such policies have only limited relevance in the real world. Countries, such as the UK and US, which have deregulated with gusto, are in an economic mess. Those, such as Japan and West Germany, which have been wary of free market prescriptions, are doing brilliantly well.

The West German example is telling. Free market econo-

mists have constantly attacked the Kohl government for fail-ing to liberalise the "sclerotic" economy. Last summer, the OECD entered the fray with a highly critical assessment of German economic prospects. Much was made of the damaging consequences of structural rigidities; the authors went so far as to suggest that if West Germany failed to mend its ways, it might never recover its past growth momentum.

Today, such arguments look a trifle foolish. The West German economy is hooming. Growth exceeded 3 per cent in 1988 and seems likely to approach 4 per cent this year. Gross domestic product is expected to expand by a fur-ther 3 per cent in 1990. This is an outstanding performance for a rich, mature economy with a declining population. Moreover, it has not been achieved by stoking up an irresponsible consumer boom. Nor does it merely reflect higher-than-expected growth elsewhere. A truly sclerotic economy would be incapable of selzing export opportunities or of channelling investment into the right sectors and projects. So did the OECD and others

exaggerate West Germany's

microeconomic failings Hardly. By free market criteria, the economy ought to be a basket case. Public spending (net of interest) has hardly fallen during the 1980s and remains a far higher propor-tion of GDP than in the UK or US. Industrial subsidies are pervasive, having risen during the 1980s. They account for 2.2 per cent of GDP - a far higher proportion than in the other hig economies. There has been little privatisation or deregula-tion. The OECD lists substantial restrictions in professional services, retail trade, insurance, capital markets, telecommunications, energy, transpor-tation and labour markets.

West Germans are also heavily taxed. The top personal rate is not being reduced until 1990 and then to only 53 per cent - higher than in almost all competitor countries. Businesses are clohbered by corporation tax, local taxes on profits and capital, real estate taxes and the federal wealth tax. Overall, the OECD reckons taxes absorb more than 70 per cent of pre-tax profits - compared with 54 per cent in France, 46 per cent in the US and 38 per cent in the UK. Yet West German companies run rings round most of their com-

All right, free marketeers may reply, West Germany is doing well. But it would do even better if it liberalised the economy. This must be doubt ful. The distribution of growth between sectors might change - financial services might gain at the expense of manufacturing - but it is hard to believe that the economy could sustain real growth much in excess of 3½ per cent - the

current rate. Huxley's vicar wanted the world to conform to his a priori beliefs. He waited in vain. Free marketeers are in a similar position. If they are honest, they will admit that the assumptions needed to prove their efficiency theorems sim-ply do not hold good in the real world. It is thus not remotely surprising that West Germany can outperform its competitors despite its failure to implement bold supply-side reforms. The dangerous rigidities lie not in economies but in the minds of

LETTERS

powers which the Bank of have been ruined as a result. England already exercised over After the report on Blu

After the report on Blue Arrow was published there

was strong pressure for "some-thing to be done" immediately

- there was no suggestion that there were proper proce-dures laid down and that these

should be followed. The only exception was Phillips & Drew, which implied that it was

waiting to hear from The Secu-

rities Association before taking action. Even this perfectly reasonable line has not held, and Phillips & Drew announced on July 27 the resignation of a senior employee and the sus-

pension of a more junior

The City nnw appears to have the worst of both worlds. It is closely regulated with detailed rules, yet when trouble comes, individuals are still expected to resign, and not indet on the worst was a standard to be set on the worst was a standard to be set on the worst was a standard to be set on the worst was a standard to the set of the worst was a standard to the set of the worst was a standard to the set of the worst was a standard to the worst was a standard to the set of the worst was a standard to the set of the worst was a standard to the set of the worst was a standard to the set of the set of the worst was a standard to the set of t

sist on the proper procedures

This may he good for the reputation of the City, but is it justice?

J.L.T. Newbegin, Cameron Markby Hewitt, Sceptre Court,

'The worst of both worlds'

deposit takers, and the Finan-

cial Services Act gave wide powers to the Department of Trade and Industry – the bulk

of which have been delegated

to the Securities and Investment Board and to various

self-regulating organisations. In both cases these wide pow-

ers were counter-balanced by

quasi-judicial procedures, with rights of representation and

But when the time came for the new system to be tested, what happened? The Depart-ment of Trade and Industry inspectors produced a report

which came to certain conclu-

I am not in a position to

comment on the particular report on the Blue Arrow affair, but the nature of DTI

From Mr J.L.T. Newbegin.
Sir, One ironic aspect of the
Blue Arrow affair, which has not yet received much attention from the press and other commentators, should not pass

without comment. In the 1960s and 1970s "the City" – the financial centre of the UK – was loosely regulated, with the Governor of the Bank of England acting as a kind of benevolent overlord of City standards. He had no formal legal powers but great mal legal powers, but great moral authority. If the Governor "raised his eyebrows," peo-ple could be expected "to do the right thing." The system was very flexible, if rather rough and ready.

In the late 1970s and early 1980s there was considerable pressure for the City to be better and more formally regu-

This view was reinforced by a number of financial scandals, some of which had nothing to do with the City as such. As a result, Parliament enacted the two Banking Acts 1979 and 1987, and the Financial Ser-vices Act 1986. The Banking Acts codified

anar, but the nature of DTI inspectors' reports has attracted considerable criticism over the years. There is a fairly widespread view that individuals are criticised amid great publicity, without being given a proper opportunity to put their side of the case; in some cases careers and lives Proposals for food safety legislation should be spelled out

From Mr D. W. Harbourne. Sir, Like you, I was disap-pointed that the white paper on food safety lacked detail as regards the UK Government's proposals for new legislation ("A policy for safer food," FT eader, August 2). Unlike you, I am not convinced of the need for an independent agency with overall responsibility for food safety, but better co-ordination between the national

and local government bodies involved is certainly needed. A small corps of officers should be established, along

An adjunct to this would be a permanent committee of offi-

'Profit is the name of this game'

From Miss Joyce D'Silva. Sir, Tim Dickson suggests that if animal stress is to be a criterion for banning BST the genetically engineered dairy cow hormone - then perhaps we might as well challenge the whole exploration into genetically engineering the "supercow" ("When Greens go too far," July 21).

Quite so. There can be no ethical justification for subjecting any animal to non-therspeutic injections - particu-larly, with BST, when the injection site becomes swollen and tender and frequently results in abscesses.

the lines of HM inspectors of schools, to observe and report on food hygiene enforcement and make recommendations for changes: such reports and recommendations would be

There can also be no ethical justification for genetic engineering experiments whose raison d'être is leaner, faster growth or uniform carcase clones. Profit is the name of this game, and although profit can go hand in hand with good welfare, this is hardly a point when one looks at the US Government's Beltsville pigs -born with added human growth gene, and unable to mate or even stand and walk

without pain. Joyce D'Silva, Compassion in World Farming. 20 Lavant Street. Petersfield, Hampshire

Insider dealing and the law

From Mr Tom Benyon. Sir, The motive behind the legislation which criminalises insider dealing was to right the wrong whereby insider share-holders made money using privileged information; the money made thereby is thus to be regarded as akin to theft. In a number of recent well

publicised bids, the predators have all apparently purchased millions of pounds worth of stock before they announced their intentions. Presumably they all knew

what they were going to do before they bid, and they all have made huge profits — albeit paper ones — at the expense of shareholders who sold out before the bids were

I suggest that the law is amended to prevent hidders buying stock before they art. If that isn't done, scrap the

If neither, why isn't the law Tom Benyon, The Old Rectory,

ward, and would obviate the need for much change in the machinery of government, which would be expensive, dis-

cials and food scientists from the Department of Health and the Ministry of Agriculture, together with representatives of the Institute of Environmental Health Officers, the indus-try, and consumers. This committee would have the right to comment on reports from the inspectors and put forward its own proposals for changes in enforcement procedures.

This would be a hig step for-Ware, Hertfordshire Nuclear reprocessing difficulties

D.W. Harbourne,

and Caterers, 21 Baldock Street,

From Mr A.H. Denny.

Sir, Walter Patterson (Letters, July 28) says that British Nuclear Fuels (ENFL) kept people in the dark about difficulties encountered in reprocessing Magnox fuel dur-

ing the early 1970s.

He does not seem to have done his research very thoroughly. In BNFL's annual report for 1974-1975 it was reported: "There have been some delays in the reprocess-ing programme and in order to ensure that there is a balanced capacity for handling Magnox material at the level required in the future, additions are

being made to various facilities

runtive, and may lead to a dilu-tion of Parliamentary responsi-bility in the area of food safety.

The National Association of

Muster Bakers, Confectioners

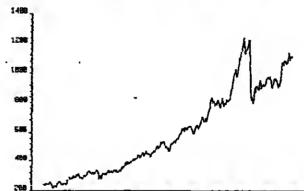
report it was reported: "The rate at which Magnox fuel can be reprocessed has been restricted by limitations in the decanning plants and maximum effort has been deployed to clear this bottleneck." The information was there at

associated with the reprocessing plant."

In the 1975-1976 annual

that time for anyone to read and question – including peo-ple like Mr Patterson and Friends of the Earth. A.H. Denny, British Nuclear Fuels, Warrington, Cheshire

EXPERT ADVICE ON WEEKS



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FINANCIAL TIMES

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Doctoring the Soviet economy

Quentin Peel interviews Valentin Pavlov, the new Finance Minister

HE NEW Soviet Finance Minister. Mr Valentin Pevlov, inherited what must qualify as the most unpo-pular portfolio in the Soviet

Over the next five years, all things being equal, he must preside over e rigorous scour-ing of the Augean stables of Soviet state finances. He must introduce sweeping tax reforms, including much-increased progressive rates of income tax, and equally drastic

cuts in investment spending. He has to lay the founda-tions for a capital market, and even a stock market, without offending the basic tenets of Marxist ideology; and he will play an important part in the introduction of potentially explosive price reforms, which must inevitably push up the retail prices of foodstuffs and other basic commodities.

Yet he seems to be taking the whole challenge with

remarkable equanimity.
"If you don't think you are ill, you don't treat yourself." he said in an interview with the Financial Times, his first to the international press. "It isn't you who are managing the process, but the process is

manipulating you."
The two biggest ailments of government finances he identifies are the huge budget deficit, and the failure to obtain an adequate return on invest-

He denied that the Rbl100bn (\$1833bn) budget deficit (20 per cent of total spending) was growing. However, he admitted that increased pensions would cost an annual Rbl25hn-Rbl27bn, and child allowances up to Rbl20bn, while cuts in defence spending were only likely to save some Rbl9bn a

Mr Pavlov revealed that the entire state investment proentire state investment programme in large projects is currently being reviewed from scratch, with e target of substantial cuts during the next five-year plan period, which runs from 1991 to 1995. The sort of capital schemes which may well get the axe are the gigantic petro-chemical complexes planned for Siberia to

process natural gas.

The review is being carried out for the first time as a joint exercise with the state banks, which have been told to identify those projects they are prepared to finance on the basis of cost-effectiveness.

"We are creating new criteria," he said. "If yon think as a bank that a project is cost-effective, then we propose you go through with it and finance it on credit. First we ascertain is it worth it? Second, we decide who will finance it."

The banks themselves are in the middle of an overhaul of the financial sector, with the creation of more financial



Valentin Pavlov: inherited unpopular portfolio

instruments, a genuine capital market, and realistic interest rates, all now on the agenda of

the Soviet euthorities.

The second major arm of a rigorous government investment policy is the introduction of "enterprise shares," Mr Pav-lov said. They would be crossshareholdings held by one enterprise in another, and eventually they could be traded on e stock exchange. "We see this as an effective

way of increasing the effi-ciency of investment," he said.
"It is not a question of reduc-ing state investment, but of using more effectively the means we have invested in the economy. No reasonable man

In the renorm process will be long drawn-ont.

Mr Pavlov admits, on the other hand, that tackling indirect taxation, which currently provides 20 per cent of budget revenue, will he the higgest problem of all. It will have to be linked to the repeatedly.

ers simply do not know this system, so the problem of training staff is very great."

A vigorous man with a firm handshake and a startling crew cut, Mr Pavlov is a bureaucrat who has worked

his way up the Finance Ministry, rather than being a politi-cal appointment. His last job was as chairman of the State Prices Committee, popularly known as the Committee for Inflation. As a result he came in for tough cross-examination in the new Supreme Soviet, which he survived remarkably

Not one direct price rise took place during my term in office," he declared, a boast

'It is not a question of reducing state investment, but of using more effectively the means we have already invested...We are not yet ready for a stock market. It is not a simple thing, but it is on the agenda.'

would issue shares, and then waste these resources."

The Soviet authorities are also introducing workers' shares in their own factories: but these are currently only for resale to the enterprise, and simply earn an annual rate of interest equal to the gross rate of profits, like a bond.

Mr Pavlov said enterprise shares gave the two or more work collectives involved a the work of the enterprise, and the effectiveness of their own

The problem of introducing a proper stock market for trad-ing such shares was that all prices were still supposedly centrally controlled. There was also a chronic shortage of trained personnel.

"We are not yet ready for a stock market. It is not e simple thing, but it is on the agenda.

The majority of our top manag-

which mey be popular, but does not show any real appreci-ation of the urgent need to raise many Soviet prices to realistic levels.

realistic levels.

The price rises which have started pushing inflation up into double figures are all back-door increases, either on the huge black market for goods acquired under-thecounter, or by state enterprises repackaging or redefining their roduce to gain a "noveity "fashion" mark-up.

As a result Mr Pavlov is proposing an anti-inflation tax as part of his reform package: for every 1 per cent price rise on an enterprise's output, the wages fund would be docked 0.5 per cent. "This is to incite workers'

collectives to increase produc-tion and efficiency and cut costs, instead of inflating prices," he said. The main tax reform will be

expensive to use trucks.

and is no longer valid."

The ship is still docked in

Karachi port, with demurrage charges now up to more than

At the behest of the US sup-plier worried over who is ulti-

be linked to the repeatedly-postponed reform of retail prices, now scheduled for 1991. The whole debate remains exceedingly sensitive, in a society traditionally denied any reliable information on state finances. When it comes to the question of how much income

tax receipts may rise, he insists that it is "a commercial Nor will he set any target for spending cuts: "I am e realist." he says. "You can never really achieve the desired figure. The figures come from what is real-istic."

As for the cost of the miners' strike settlement, with a huge promised increase in the pit-head price of coal, he looks grim, but refuses to be drawn. The miners cannot be considered separately from the whole system of material supply of other industries. The miners are hardly different from chemical production workers, ura-nium miners, or whatever. They are all linked."

His caution, and practicality, dictates his answer on the Soviet Union's ambitions to join international organisa-

join international organisa-tions, like the International Monetary Fund. "This is a seri-ous organisation, not a charity. We will join only when we can become worthy partners."

He is a cautious pessimist when it comes to the prospects for convertibility of the rouble. Accompanying Mr Mikhail Gorbachev on his recent trip to Wrance he suggested it might France, be suggested it might

be 2005 before it was feasible.
"We have to overcome imbalances in our economy and finances, a non-equivalent exchange rate, a lack of rap-port between our prices and structure of our import and export, low incentives for the accumulation of capital . . and so on. The list seems end-

And then Mr Pavlov has to rush off, as fast as he rushed in. His destination is the session of the Supreme Soviet, just across Red Square in the Kremlin. It is suddenly clear that the Minister cannot afford to miss it. The Soviet Government has a new master.

Party ends for futures traders who face FBI charges

to introduce progressive income taxes, instead of the current universal 13 per cent deduction, and progressive enterprise taxes levied on profits, not turnover. He believes all enterprises, state-owned, leasehold or co-operative, should be taxed on the same basis. However, the problem of defining the concept of profit in the Soviet system suggests that the reform process will be long drawn-ont. By Deborah Hargreaves in Chicago

FOR MANY of Chicago's futures traders the days of heady profits are at an end, as 46 of them face charges after a two-year FBI probe uncovered widespread trading abuse in the chaotic futures markets. They will come down to

earth with a bump. One of those who was indicted on Wednesday was intent on sav-ing his trading profits to buy one of the Orkney Isles off

Scotland. Mr Robert Bailin, erstwhile official in the Chicago Republi-can Party, will now have to keep his savings. He may face fines of up to \$250,000 if he is found guilty on 19 counts of wire and mail fraud. He could also face up to five years in

The blood letting has not finished yet. This could be just the start of a round of charges that would tear at the very fabric of the world's largest futures markets. Over a dozen traders are co-operating with the Government's investigation, swapping evidence for

tion, swapping evidence for lighter sentences. The very nature of Chicago's futures markets, which exchange officials are foud of describing as one of the last hastions of the free market, makes trading abuse easy to cover up and bard to track

Every day in Chicago over 5,000 traders gather in halls no larger than soccer fields, where they shout themselves hoarse huying and selling commodities they will never see. While many traders make only a modest living, the pro-fession is characterised by young egotists who live flamboyantly on their easy profits. The way in which they pur-sned that lifestyle is now

ander microscopic scrutiny.

Mr Anton Valukas, the US
attorney for northern Illinois,
who headed the investigation, paints a picture of futures trading pits allegedly run on traders' own rules, where large-scale brokers doled out patronage to their less profit-able counterparts in return for their participation in schemes

Mr Valukas alleges that there were conspiracies in the Chicago Board of Trade's soyabean futures pit and the Chicago Mercantile Exchange's Yen futures pit to rig trades and steal profits from customers. Traders have also heen charged in the Treasury bond futures and Swiss. Franc

Mr Valukas stresses that the charges are not levelled at charges are not revened at technical trading violations but at illegal schemes involv-ing hundreds of customers and thousands of trades. The Government huilt its

case hy using undercover agents trained to operate as traders in four futures pits at the two exchanges. These agents befriended many young futures traders and recorded conversations with hidden tape recorders in the hubbub of the trading arenas. By far the most serions

charges are being brought hy the Government against 19 powerful brokers under the Racketeering Inflnenced and Corrupt Organisations Act (Rico) - a broad statute used against the Mafia, among oth-

These brokers are alleged to have masterminded large-scale attempts to cheat customers, often using local traders -those that trade for their own account – as "bagmen." The "hegmen" were allegedly offered kickbacks for hiding profits made by brokers on illicit trades and for changing prices on customer order cards increase brokers' profits.

The illegal practices cited in the charges include many counts of withholding customer trades from the open market. They include pre-arranging trades away from the marketplace, front-running or trading ahead of a customer order that is large enough to swing prices, and kerb trading outside normal market hours. They also fees charges of

outside normal market hours. They also face charges of large-scale tax evasion. When announcing the charges, Mr Richard Thornburgh, the US Attorney General, took pains to stress that the managers of Chicago'a exchanges were in no way implicated in the charges, the allegations are bound to bring calls for tougher regulations. The trony is that, although the FBI investigation has cast the FBI investigation has cast a pall over futures trading in Chicago, volume on both of the city's exchanges is still

THE LEX COLUMN Weinstock's final stratagem

Lord Weinstock, it seems, has done it again. Yesterday morning the market confidently expected 270p as a sighting shot for Plessey. At lunchtime it learnt the figure was final; and scrambled to sell. Plessey will now go through, the motions of a defence document, a profits forecast and so forth. But its only hope lies in a rival offer, and with over 25 per cent of the stock in enemy hands — to say nothing of the other half of GPT — that seems

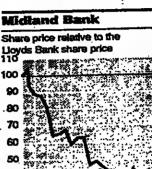
past praying for.
With one of the bitterest contests in UK takeover history apparently almost over, the market's attention will now revert to GEC. It is hard to argue that it is paying too much. The multiple looks about 13 times Plessey's earnings this year, about the same as GEC's own. There are obvious cost savings from Plessey. ous cost savings, from Plessey's head office to overlaps in defence, let alone the scope for rejuvenating GPT under single

There is no reason to sup-pose that this is the last of Lord Weinstock's Indian sum-mer, or of his zeal for joint ventures. A deal in the cables business may come next, or perhaps in North American electronics; and Marconi much the biggest chunk of GEC still without a partner – may be drawn closer into partnership with Daimler-Benz and Matra. At some point, share-holders might become con-cerned at the business drifting out of their hands in this way.
But meanwhile, it is quite possible that GEC's earnings
growth will accelerate as the rest of the market's declines. It is odd to reflect that a year ago the now hyperactive Lord: Weinstock was being abused for doing nothing.

Midland Bank

When it comes to losing money there is no question that Midland Bank comes out top, The exceptional provision of £846m for Third World debt is only £70m less than the massive sum set aside two years ago, and while the group's Basic capital ratios seem reasonably presentable, a 4.2 per cent equity to asset ratio is well below average. Meanwhile, the slump in profits at Midland Montagu is a reminder that however many times Midland Bank turns over a new leaf there always seems to be yet another nasty sur-

The group has now gone far-ther than most in providing against its Third world debt; hut blaming it all on the Brady



plan is yet another sign that Midland always seems to be looking for excuses. Like the rest of the clearing banks Mid-land has great difficulty admit-ting it ever made a mistake. The same goes for the prob-lems at Midland Montagu which smack of imprudent banking. The kindest thing that can be said about these results, and e prospective mul-tiple more than a third higher than Lloyds, is that Midland Bank remains very much a

82 84 86 88

De La Rue

One fondly assumes that investors behave rationally, but the odd goings on at De La Rue suggest otherwise. By voting to sell the Crosfield subsidiary to Dupont and Fuji for 72 times 1985's awful sarnings, De La Rue's shareholders must think they have a spanking good deal. But with Crosfield gone, what remains is unexciting bank-note and security printing, and the prospect of a share price that on fundamentals could bottom out around 260p. Yesterday's 9p drop to 319p was presumably only a

The one thing supporting the shares now is the presence of Mr Robert Maxwell on the register with 15 per cent, and Scitex with 6.5. The share price suggests the market thinks he and Mr De Benedetti's Sofigen group, with a little under five per cent, are too clever not to have a plan B. This argument bare. Any plan B would have to involve somebody else bid-ding for De La Rue: but who might this be? A number of US or German companies interested in electronic imaging might want Crosfield: the only candidates one can see wanting the remainder are its own management, who cannot afford a fancy price.

British Airways

British Arrways has a capacity problem. It does not have nearly enough in the current quarter, which normally provides over half the group's profits, and it is going to have too much later in the year when economic growth in its two biggest markets, the UK and the US, will have slowed to a snall's pace. Some of the and the US, with nave showed to a snail's pace. Some of the costs of this unfortunate set of events may be recouped from Boeing, where aircraft deliv-eries are running badly behind schedule. But the bigger problem is predicting how BA will perform during the first major economic slowdown in its

economic slowdown in its short life as a public company.
The 18 per cent rise in first quarter pre-tax profits reflects a welcome improvement in both yields and load factor, but it would be most surprising if they could both be maintained to the face of the slower they could both be maintained in the face of the slower growth in the overall market. The other problem is costs. A laper cent rise reduces BA's profits hy 14 per cent; and the debate about Lord King's salary is bound to figure in the next wage round, especially since the last staff increase. was below the inflation rate. However, a prospective multi-ple of 7 times earnings dis-counts a lot of had news. If BA were ever tated as a takeover target, it would be a steal et 2% times cash flow.

Wellcome

Yesterday's announcement from Wellcome on its AIDS drug could prove some kind of turning point, it has been widely believed that Retrovir is proving too toxic in AIDS patients and that rival drugs such as DDI are near to official approval. But the evidence now is that the drug is less toxic in earlier stages of the disease; and if its use is approved for the early stages of AIDS-related complex—es AIDS-related complex - es seems likely - the number of patients taking the drug could increase fivefold.

The next and much bigger step would be for the drug to be approved for asymptomatic

now starting in the US and Europe will take at least three years, and may bring fresh evidence of resistance to the drug. But meanwhile Retrovir, for all its deficiencies, is proving remarkably durable. Well-come's shares have underperformed the London market by e third in the past year, this should at least stop the slide.

Pakistan steel group accuses Bhutto after foundry closures

By Christina Lamb in Islamabad

PAKISTAN's biggest private sector steel and engineering group has been forced to close its foundries and lay off half its workers, accusing the Government of "a deep-rooted and sinister conspiracy motivated solely by political vendetta."

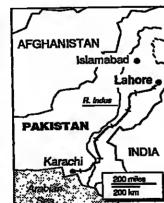
Mr Shehbaz Sharif, chief executive of the litefaq Group,

has alleged that Ms Benazir Bhutto's Government is trying to force the company out of business because of political differences, by instructing Pakistan Railways to refuse to cart scrap imported from the US from Karachi dock to the company's works in Lahore. The lttefaq Group belongs to the family of Mr Nawaz Sharif,

chief minister of Punjab and, as head of Pakistan's main opposition party, Ms Bhutto's greatest rival. The company yesterday made public that its assets are Rs3.6bn (\$221m), making it one of Pakistan's

largest groups.

The US ehip, M V Jonathan, arrived in Karachi on June 14 from the US company Hugo Neu, carrying 28,000 tonnes of scrap iron to be melted in ltte-faq foundries and made into



steel billets. Since 1980 the company has had a contract with Pakistan Railways under

refused to supply carriages, saying they were needed for items of national priority such as wheat and fertiliser.

Ittefaq has argued that these are moved in closed carriages,

mately responsible for these charges, the US Ambassador intervened, writing to the President and Prime Minister, despite the politically loeded nature of the dispute. According to Mr Sharif, US scrap metal agencies have now threatened to discontinue trad-ing with Pakistan and the ing with Pakistan and the "Kota Harta", which should have left the US with 29,000 tonnes of scrap in early July, has been cancelled. Ittefaq Fonndries produces 250,000 tonnes of steel annually, is among Pakistan's high-

which it is supposed to be pro-vided with 1,200 wagons every 40 daye for offloading scrap and transporting it to Labore. This time Pakistan Railways

AIDS drug gets boost in US tests whereas scrap travels in open cars and that it would be too By David Fishlock and A close aide of Ms Bhutto Tony Jackson in London said: "The agreement was made under the last regime

Wellcome

THE AIDS drug Retrovir (AZT) made by Wellcome, the UK pharmaceutical company, significantly slows the progress of the disease in its early stages, a US clinical trial has con-

The trial, involving 29 US AIDS' treatment centres, has been stopped after two years so that those patients in the "dou-ble-hlind" trial, previously receiving placebos, can be treated with AZT.

The trial, involving over 700 people with AIDS symptoms, was launched in August 1987 was launched in August 1987 by the US National Institute of Allergy and Infectious Diseases and Burroughs Wellcome, the US arm of the company.

The institute said yesterday that the drug significantly slows progression of HIV, the AIDS virus.

Of the 713 participants in the trial, 50 had progressed to "full-hlown" Aids hy last month. Of these, 36 were being treated with the placebo.

Bank forced to defend £

Continued from Page 1

protect the hanks, whose income and capital is mostly in sterling, from a fall in the value of the pound against the

est revenue payers and has been the biggest customer of Pakistan Railwaye. Mr Sharif

says lost production is costing Rs5m per day.

The banks may have sold sterling and bought the equiva-lent of more than \$3bn of less developed country debt, thereby fixing the eterling value of those loans in their respective balance sheets. Midland yesterday said it had provided £846m for possi-ble losses, a figure which takes

the hig fonr's provisions announced over the past week to £1,957m. Midland said that the trans-actions had already taken

place over the past couple of weeks. Barclays, NatWest and Lloyds have also completed their transactions. The pound closed 1½ pfennigs and 2 cents lower at DM3.065 and \$1.643 yesterday up, marginally, from the day's lows which were reached

before the Bank intervened.

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FINANCIAL TIMES COMPANIES & MARKETS

Friday August 4 1989



Takeover

to Low

Panel raps

By Nikki Teit in London

S. G. WARBURG, a leading UK investment bank, was yesterday rapped by the Takeover Panel.

Britain's watchdog on bids and deals, for failing to exercise due

INSIDE

Bird in the hand is worth 50 on the lawn



Happy 60th birthday - have a lawn-full of plastic flamingos. This was the gesture Alf Powis, chairman of Noranda. made to old colleague and friend Bill James, chairmen of Felconbridge. Since then, however, Falconbridge has been fighting hard to stay out of the clutches

of its fellow North American mining group. That was until Wednesday of this week when James accepted a C\$2.8bn (US\$2.5bn) bid from USbased Amex. David Owen reports. Page 16

Expensive echo from the past The highest-paid director of Smith New Court. the UK securities firm, last year received nearly three times as much as the year before, even though the firm slid heavily into loss during the period. But the payment of £541,000 (\$890,000) is e throw-back to the heady days when eccurities firms were recruiting rather than laying off staff. A substantial part of the money represents a deferred joining fee, or "golden helio." Page 20

A thief's best friend



Nowhere in the world is the boom in demand for gem diamonds having more impact than on Namibia'e diamond coast, For example, COM, the De Beers eubsidiary which operates the vast mine at Oranjemund, has decided to bring into operation two new projects. On the darker side, however, there has been a nobceable increase in diamond thefts from the mine, Last year, CDM recovered stolen diamonds worth R9.2m (US\$6m) and its security people believe thie was only e very email percentage of the value of stones smuggled out of the mine, writes Kenneth Gooding. Page 26

Will tobacco setback take Zimbabwe's breath away?

Zlmbabwe's stock merket is riding high, it took off in the second half of 1987, shrugged off the October crash, and has barely paused for breath since. What a surprise then that last month's public offering in Tabex, a leading tobacco company, was only partielly sub-scribed. Tony Hawkins examines the main rea-sons for the market's recent strength and identifies signs that the best of the bull run may soon be over. Page 38

Bubbly profits mix at Akzo

The buoyant nature of the world's chemicals halped Akzo of The Netherlanda boost its profits in the second quarter of this year. And Mr Syb Bergsma, board member in charge of finances, yesterdey repeated his forecast that full-year earnings would significantly exceed those of 1989. Alzo will suffer relatively little if bulk chemicals weaken, he predicted. Page 16

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It was formed from the merger in 1967 of Wartsilä's existing ship-building operations with those of state-owned Valmet.

However, the division had a ation of the Finnish markka in loss after financial items in 1988 1989.

ing losses in the division this year had been proved wrong.

The company's worsening performance this year was blamed by officials on EC subsidies to other countries' shippards, tha lack of any new ship orders from the USSR for the past thrse years, labour shortages, higher inflation and a 4 per cent revalu-

Wartsilä Marine sald: "Basi-

is done to help us."

Mr Bror Wahlroos, a Ministry of Trade and Industry official representing the Government in the negotiations, said: "We are faced with an entite financial cituation." with an acute financial situation. I have a damn fire to extinguish

The fate of the division is now

While Wärtsilä Marine talks about a "tentative" agreement with the Government to bail out the company with state subsi-dies, Mr Wahlroos rejects any

such arrangement.
"We're not talking about whether to subsidise or not," he said. "We are trying to figure out

Warburg present negotiations with Wartsilä Marine, which began last week, would end "in a week to 10 over advice

days."
In the past Finland has prided itself for not having to subsidise

its shipyards.

Mr ilkka Suominen, Trade and Finance Minister, made clear last December that the state would not step in to subsidise the troubled Finnish shipbuilding industry. However, in January the Government said it would pro-vide loans and tax relief for 15 per cent of the total value of ves-

care when advising its client, William Low, in an abortive hid for Budgens, a fellow food retailer. The Panel said Warburg wes guilty of a breach of general principle three of the Takeover Code. This lays down that a bidder should only announce an offer after the most execute and Third World debt provision cover Dec 31 1988

offer after "the most careful and responsible consideration." In a judgment released yesteroay, the authorities stressed that they viewed compliance with this principle as being "of great importance." The announcement of an offer "inevitably has a pro-found effect upon the market,"

with the share price of the target company affected.

The Panel added that people might deal on expectations which were not fulfilled if an

offer was announced end then snbsequently withdrawn - the circumstances in this case. The statement is the second recent criticism of standards

within a UK merchant hank, coming just weeks after a Department of Trade and Industry report into the circumstances surrounding County NatWest's handling of Elue Arrow's 1987 takeover bid for Manpower. There are, however, no further sanctions being imposed by the

Panel against Warburg. It takes the view that publication of the judgment is sufficient penalty. The case concerns a £136m

(\$223m) bid launched by Dnn-dee-based William Low for Budg-ens, another medium-sized food retailer, on April 20. A few weeks later Low announced it would not be able to recommend the deal to its own shareholders and the offer was withdrawn.
During this period, as the offer
document was prepared, further
financial information became

and full Panel level, and in the dispel any notion, bowever, that they would have to resort to fur-ther rights issues to restore their ratios to earlier levels. This was mation before making its offer. Yesterday Warburg said only that the bank was "satisfied that it had acted in the interests of

our client and in a proper profeswith the Panel's conclusions, it view.

Details, Page 22

Wärtsilä in talks to save marine division

By Enrique Tessieri in Helsinki

WARTSILA, tha Finnish engineering and shipbuilding group, bas started negotiations with the Government in an attempt to save its marina division, one of the largest shipbuilders in Europe, from bankruptcy.
Wärtsilä Marine, Pinland's
leading shiphuilding company,
builds two thirds of the world's ice breakars and is a global leader in the luxury cruise liner sector, with a workforce of 6,500.

"WE WANT to make this tha beginning of the end." said Sir Kit McMahon, Midland Bank's

chairman, yesterday, explaining his decision to make a heavy

£846m charge against possible Third World loan losses. His move capped an expensive week in British banking. Alto-

gether the Big Four clearers set aside nearly £2bn in their interim results, in the process raising the cover on their Third World expo-

sure from 35 per cent to close on 50 per cent. But all of their chair-

men echoed Sir Kit's view about

the worst being passed. "We hope this is the last substantial provi-sion we have to make," said Mr John Quinton of Barclays. Several things seem to have prompted the clearers to take

this drastic action for the second time in just over two years. Sir Kit attributed it to the damaging effect of the plans put for-

ward last spring by Mr Nicholas Brady, the US Treasury Secre-tary, which amount to forgiving

over a third of selected countries

debts.
Other bankers said there was also a growing feeling that UK banks were under provided compared to many other European banks (though not to US banks).

Although the Bank of England seemed to believe, as little as a

month ago, that the clearers

increases at the interim stage, its

view evidently underwent a radi-

cal and rapid change in recent weeks, and this may have

What the clearers now have to decide is how to deal with Mexico

which is at the top of the Brady agenda. Under the recently agreed refinancing plan, they

have three options: to exchange their loans for bonds worth only

encouraged the banks to act.

vould not need to make sharp

of FM638m on turnover of FM2.71bn (\$648m), and yesterday Wārtsilā wrote to shareholders warning that the prediction in tha 1988 annual report of decreas-

The cost of saving

for that rainy day

David Lascelles on results from the UK's big banks

65 per cent as much, but backed by the US Treasury, or accept a lower rate of interest on their existing loans, or advance new

Sir Kit became the first to indi-cate his choice yesterday. Mid-land will accept the discount bonds backed by US Treasury

securities, mainly, it appears, because the tax implications are clearest and most attractive. This

will also enable Midland to trans-

form its Mexican risk into US risk, however, allowing Sir Kit to

claim: "We could be out of medium and long-term lending to Mexico by the end of the year." The other clearers said they

were still studying their choices. What made the extra provisions specially painful for the UK banks was the darkening background over the rest of their business, particularly the traditional UK high street market which arrowed husers and their particularly arrowed husers and their particular arrowed husers are their particular arrowed and their particular arrowed husers are their particular arrowed and their particular arrowed arrowed arrowed arrowed arrowed and their particular arrowed arr

which proved buoyant last year.

Since then, interest rates have soared as the Government has sought to rein in inflation. This

has had less impact than might have been expected on the corpo-rate market. The banks managed to boost their lending to small and medium-sized businesses by

quite substantial amounts. At

Midland, this was responsible for an unusually large 27 per cent increase in domestically gener-

But high rates clearly choked

off much of the growth in the

personal loan market. On top of that, the structural changes now

taking place in the banking high

street are making a deep mark on

At NatWest, for example, earnings from the UK financial services division fell by 11 per cent,

mainly because of the impact of

ated banking profits.

bank results.

cally, what we are telling our shareholders is that our losses will continue to grow if nothing

- I have to find ways to meet existing orders already in the shipyards and how to pay employees their salaries."

on mortgage lending. The bank also made a small increase in

provisions against its domestic loan portfolio, reflecting "slight unease" about possible worsen-

ing trends.
Similarly at Barclays, the personal banking husiness flattened

out. Notable was the considera-hly weaker performance of Bar-claycard, the UK's largest credit card business. Profits in the Bar-

claycard division were more than halved to £19m as cardholders paid off their balances to avoid

interest charges.

This fall was also indicative, though, of mounting competition in the once staid credit card mar-

ket as new entrants have piled in over the last 12 months.

Another striking change is the growth of the interest-paying current account. The first six months of this year marked the introduction of this new product

through which the banks bope to

claw back husiness lost to com-petitors in the retail market.

have made a success of their new accounts. But they are also push-

ing up the clearers' funding costs, and squeezing their margins.

In their perennial battle to cut

costs, the clearers are baving generally positive results. Three of them, NatWest, Lloyds and

Barclays, reported a reduction in

the ratio of their costs to income,

the most widely watched effi-ciency yardstick, as a result of both tighter spending and staff reductions. NatWest took the

opportunity of its interim results

to announce a £200m cost-saving

The exception was Midland which bas always suffered from

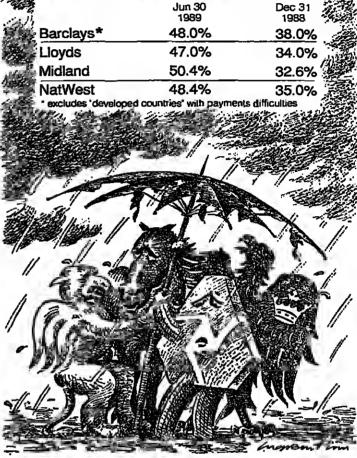
the worst cost structure of the

four. The bank's strikingly poor

All the clearers claimed to

from where to get cash flowing into the company. This could be from the Government, parent company or from others such as banks."

Mr Wahlroos added that the



performance in the first half actually pushed its cost ratio up again, which Sir Kit described as "bloody disappointing." Although Midland's £531m loss

was due mainly to Third World provisions, the losses sustained by Midland Montagu, its global corporate and investment banking arm, marked an unpleasant setback to Sir Kit's recovery plan. The had corporate debts and the misjudgment of interest rates are mistakes for which Midland can only hlame itself, though the failings were accentuated by the fact that Midland

groups all its most volatile busi-nesses in Midland Montagu. With both Lloyds and Midland reporting losses, there was an overall decline in the clearers'

capital position, though all managed to stay above the new internationally agreed Basle mini-mum ratios of capital to risk-adjusted assets.

Bank chairmen were keen to dispel any notion, bowever, that they would have to resort to furparticularly the case at NatWest caused by the Blue Arrow scan-dal bave left management anxlous to repair the damage to confidence. Judging from yesterday's news

about the possible sale of their Yorkshire Bank associate, some of the clearers are ready to resort to judicious asset sales to boost their capital ratios.

available. The central Issue considered by the Panel – both at executive

siooal manner." It added that, while not necessarily agreeing snpported the Panel's right to investigate the matter and take a

Owners may bolster their capital ratios by selling Yorkshire Bank

YORKSHIRE BANK, the small Leeds-based bank which is jointly owned by Barclays, National Westminster, Lloyds, and the Royal Bank of Scotland, may be

about to change hands.

NatWest, the largest shareholder with a 40 per cent stake,
said yesterday that the owners
were aware of possible interest in Yorkshire Bank and were consid-

ering their response.

Bank analysts estimate that its owners could expect to realise between £600m and £700m (\$120n) THROUGH THE sale of Yorkshire, funds which could be used to beef up capital ratios depleted by heavy Third World debt provisions. According to bankers in London, two possible purchasers are already waiting in the wings, the Royal Bank of Scotland and the National Australia Bank which announced earlier this week that it was raising equity capital to help finance overseas expansion. Yorkshire Bank, which has been owned by the large clearers

Though Yorkshire Bank has only 247 branches, and about half of its 1m personal customers live in the Leeds/Humberside area, it has consistently been the most profitable hank in the UK in

The strongest contender to buy Yorkshire is National Australia Bank which is believed to have approached the shareholders with an offer.

National Australia already

Bank faces a challenge from Royal Bank of Scotland, which already has an 8 per cent stake in Yorkshire Bank, Yesterday Royal Bank said it had expressed interest in huying the Yorkshire hut had not made a formal offer. Yorkshire Bank has contrib-nted steadily to the profits of its owners, adding £23m to Nat-West's half-year figures alone.

since 1911, would be an extremely juicy morsel for any purchaser, particularly a newcomer to retail banking in the UK.

recent years in terms of its rate of return on assets. In 1989 it made profits of £100.4m hefore tax on total assets of £3.2bn.

owns Clydesdale Bank in Scot-land and Northern Bank in Northern Ireland, both purchased from Midland two years ago. However, National Anstralia

BA warns of turbulence ahead

By Clay Harris in London

BRITISH Airways yesterdey warned of a "small patch of turbulence" ahead as it reported pre-tax profits of £96m (\$158m) for the three months to June 30. BA shares fell 61/2p to 1951/2p.

Lord King, chairman, who has had turbulent weeks himself recently over his remuneration by BA and FKI Babcock, warned: There may be some further softening of the economy, we must take further action to control our costs and we must alert ourselves to increasing competition." Despite good demand, he said,

BA's second-quarter traffic was unlikely to rise by more than the 2 to 3 per cent increase in aircraft capacity. Capacity growth in the first quarter was limited to 2.4 per cent because of late delivery of 747-400 aircraft from Boeing. Sir Colin Marshall, chief executive, said Lord King's remark anticipated "the prospect of a

softer economy and the likely

downturn that will result in

terms of people's travel habits." There was no impact so far in BA's second quarter, the peak travel season, Sir Colin said. The airline continued to suffer, however, from the constraint on capacity. Boeing is now due to deliver four 747-400s by September 30 against the original schedule of eight aircraft by that date. The aircraft are to be used for long-haul flights to Australia and the Far East, increasing BA's

North Atlantic operations. The pre-tax figure represented an 18.5 per cent advance over the £81m achieved in last year's first quarter. That result was depressed from the previous £90m because of the costs of integrating British Caledonian, a

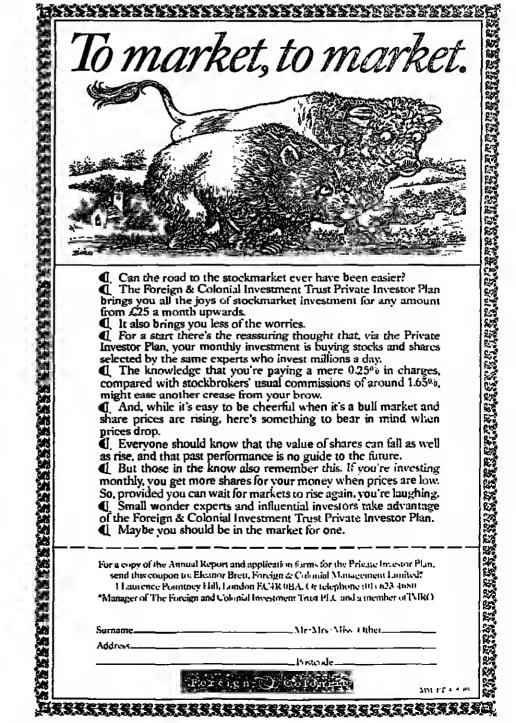
competitive position on those rontes and freeing other 747s for

former competitor.

The strength of BA's long-haul services enabled the growth in revenue passenger kilometres, at nearly 9 per cent, to exceed the 3 per cent rise in the number of scheduled passengers carried. At 70.4 per cent, the passenger load factor recovered from 66.2 per cent in the same period last year but lagged behind the 71.4 per cent achieved in the first quarter of 1987-88, the first full year aftar the formerly stateowned airline was privatised.

Group turnover rose by 15.1 per cent to £1.17bn (£1.02bn), of which airline operations accounted for £1.14bn (989m). The operating surplus was 18.1 per cent ahead at £124m (£105m), and interest payable fell from £32m to £27m, including an £8m exchange rate loss on foreign currency loans. Earnings per share rose 16.2 per cent to 8.6p (7.4p).

The airline's operating surplus would have been £17m higher if not for the combination of ster-ling's weakness against the dol-lar and its strength against conti-



INTERNATIONAL COMPANIES AND FINANCE

Foreign subsidiaries boost Deutsche Bank's result

By Haig Simonian in Frankfurt

DEUTSCHE BANK, West Germany's biggest bank, yes-terday announced partial grnup operating profits of DM1.87bn (\$1bn) in the first six months of the year.

The result was hoosted

partly by the first-time consolidation of two foreign subsidiaries, Banco Comercial Transatlantico and Albert de Bary, the Spanish and Dutch banks in which Deutsche Bank gained full control in April and December respectively.

A direct comparison with Deutsche Bank's interim earnings in the equivalent period last year is not possible, as this is the first time the bank has published a figure for interim partial operating profits at group level, rather than just a percentage rate of change.

However, the bank said its partial operating earnings had risen by 20.5 per cent against one half of last year's results. Full operating profits, which include gains from trading nn the hank's own account, are still not revealed. But the bank, headad hy Mr Alfred Herrhausen, chief executive, said they had risen hy 20 per cent at group level compared with one half of 1988.

Closer comparison of the results is easier at parent bank level, where partial operating profits soared by 42 per cent to DMI 26bn against the first six months of last year. Parent hank interest income

rose by 10.5 per cent to DM2.57bn, while fee income rose by almost 16 per cent to DM1.04hn. The bank also

revealed first-time group fig-ures for interest and fee income, which stood at DM3.72bn and DM1.37hn respectively. Group total assets amounted to DM334.1bn.

The results, which round off this year's interim reports from Germany's hig three banks, reflect the continued bunyancy in the domestic econnmy, which has seen strong credit demand more than compensate for continuing pressure on banks' lending mar-gins. Credit demand rose hy DM9.7bn to DM131.8bn at parent bank level.

Deutsche Bank said the reduction in interest margins hed now been stabilised following a further decline early in the year. Meanwhile, fee income had risen sharply due



Mr Alfred Herrhausen

to the strong npturn in the German equity market. But it is on the cost side that the bank has made its bigges improvement. Salaries and wages at the parent bank rose by just DM10m in the first six months of this year to

Buoyant chemicals side bolsters Akzo

By Laura Raun in Amsterdam

AKZO, the Dutch chemicals and fibres group, boosted its profits in the second quarter of 1989 with an across the board improvement fuelled by the buoyant chemicals industry. Net income climbed 12 per

cent to Fl 270.6m (\$130m) from FI 242.4m a year earlier while per-share earnings rose 10 per cent to F1 6.63 from F1 6.02.

Mr Syb Bergsma, board member in charge of finances, described the quarterly results yesterday as "excellent" and repeated that full-year earnings were expected to "significantly exceed" those of 1989. He forecast that Akzo would

chemicals weakened, as the Dutch company was less reliant on that sector than some competitors.

Commenting long-term forecast of a decline in the chemicals industry, Mr Bergsma said: "We see no sign of a downturn, at least in the short term.

"If it occurs we are reckoning on a slowdown in growth rather than a downturn." All product sectors reported higher operating income except for fibres and polymers, where margins were under pressure. Chemical products and coatings performed particularly well.

Operating income in chemical products rose 11 per cent to Fl 175m in spite of idle time for maintenance and weaker sales

vinyl chloride monomer in tbe Far East. Specialty chemicals continued to grow satisfactorily and Mr Bergsma noted Akzo's recent purchase of an exclusive licence for a process developed by the US Library of Congress cent a year earlier.

for the conservation of books. Revenue rose 15 per cent to Fl 4.79bn in the quarter from Fl 4.1hn in the yaar-earlier period. Financing charges surged 24 per cent due to expenditures on property, plant, equipment and acquisi-

per-share profits advanced 12.5 per cent to Fl 12.20 from Fl 10.84. The operating margin improved to 9.4 per cent in the first six months from 9.2 per

Turnover grew 14 per cent to Fl 9.29bn from Fl 8.16bn in the half year, Of that, higher sell-ing prices accounted for 5 per cent, acquisitions for 4 per cent, currency translations for 3 per cent and sales volume for

Linotype's first-half profits climb 27% to DM31m

By Halg Simonian

NET PROFITS at Linotype, the West German printing electronics group, rose 27 per cent to DM31m (\$16.8m) in the first half of this year, confirming the company's strong growth treud since being floated in October 1987.

Group sales increased by 22 per cent to DM339.1m, twice the rate of growth posted in the same period last year. Prospects for the year as a

whole remained "positive," the company said, although it was possible that present high growth rates would not be fully maintained for the rest of the year. Group uet profits exceeded DM50m in 1988.

Mr. Wolfsman Kummen, chief

Mr Wolfgang Kummer, chief executive, said it had considered bidding for Crosfield, the UK printing technology company which is now subject to a takeover bid from Du Pont and Fuji Photo Film. However, although Crosfield would have fit in with Linotype's activities, the current sale price was "very high." Mr Kummer confirmed Lino-

type's continuing interest in possible acquisitions to further its expansion, but said it was not interested in Monotype, the UK printing technology company now thought to be lot sale. Buying Mouotype would

not be smitable technologically and could run up against monopoly constraints.

Nevertheless, Linotype was continually looking at acquisi-tion prospects, although there was "nothing in the pipeline."
New orders for the group
rose by almost 12 per cent to
DM364m in the first six months of this year. The share of foreign business continued to

In the first half, net income increasad 14 per cent to Fl 498m from Fl 436.3m while

Amax raises Falconbridge stakes David Owen on a new combatant eyeing the Canadian mining group

r Bill James must have had a spring in his step on Wednesday morning when he walked into the office of Mr Alf Powis, chairman of Noranda, the Canadian natural resources

group.

The two men are former colleagues and old friends — to the extent that Mr Fowis recently regaled Mr James — chairman of Falconbridge, the diversified Canadian mining diversified Canadian mining group — with a lawn-full of plastic flamingos on his 60th hirthday.

None the less, the craggy Mr James has been fighting tooth and nail to elude the clutches of the Bronfman-controlled Noranda since last summer, when Mr Powis ordered his brokers to start accumulating

This is not a poison-pill, it is a vitamin pill. Any company can bid that will bid for all the stock.'

Mr Bill James

Falconbridge stock. To date they have snapped up about 24 per cent of the company. And when the two men met this week Mr James was able to inform his counterpart at Noranda that he intended to sell Falconbridge to US-based Amax, the big resources group, for C\$36% a share, or C\$2.8bn

(US\$2.4bn). The Amax bid and its accompanying shareholder rights plan have dramatically raised the stakes in the year-old tus-sle for control of Falconhridge, Canada's fourth-largest mining group and the western world's second-largest nickel producer, accounting for 14 per cent of western world supplies.

Last year's huy-order from Mr Powis followed hard on the heels of Falconbridge's attainment of full independence through the C\$949m purchase of a 25 per cent block of its own shares from Placer Dome, the large Canadian gold pro-

Until this week's developments. Falcouhridge had seemed inexorably to be slipping into the Brontman family web via a "creeping takeover" whereby Noranda would gradually assemble a controlling hlock on the open market. Clearly not all shareholders would henefit to the same degree from such an approach; hence Mr James' unstitting

opposition.

Now Mr Powis must decide
whether to cash his chips, at a
anhstantial profit of abnut C\$220m, or to come out fighting. Should he plump for the latter course, the dilutive pro-visions enshrined in the rights plan mean he must hid for the

whole company.

"This is not a poison-pill, it is a vitamin pill," claims Mr James with characteristic aplomb. "Any company can bid that will bid for all the stock. What we don't want to see is a creening takeover."

In favour of a Noranda offer is the comparatively low price it paid for its existing Falcon-hridge stake. This means the company can outbid Amax for the shares not already in its own hands, without necessar-ily outspending it in ovarall

Against it is the view of several analysts that Amax's offer is "generous." Mr Rick Cohen, a Toronto analyst with BBN James Capel, says: "The best valuation we had on Falconbridge was C\$30 a share." On the other hand, some London analysis believe the bid may be on the cheap side.

As it closed on Wednesday night, the Toronto market did indeed appear to be anticipat-ing a counter-hid. Falconbridge shares finished up C\$6% at C\$36% — a premium of 50 cents to the Amax offer. In New York, however, Amax closed unchanged at US\$25%, recovering from losses sustained earlier in the day.

Mr Powis is holding his cards very close to his chest. We either laugh all the way to the bank or we compete. I couldn't tell you which of these we will decide to do." The group's legal counsel,

Amex

Gold

Oil and gas

Corporate Equity affiliates

AMAX AND FALCONBRIDGE COMPARED

(Divisional profits (loss) in the first half of 1989)

integrated nickel

Kidd Creek (copper-zinc)

Income and mining faxes Falconbridge Dominicana (ricket) Falconbridge Gold

indusmin (industrial minerals)

US\$m Falconbridge

Total

Corporate

maenwhile, is examining the details of the Falconorroge "vitamin pill." "We might challenge the rights plan," Mr Powis says. "I don't rule out anything at this stage."

Whoever emerges victorious, the eventual takeover of Falconbridga will continue a global trend towards consolidation in the mining sector. Companies flush with the proceeds tion in the mining sector. Com-panies flush with the proceeds of two years of generally buoy-ant commodity prices are looking for targets and jockey-ing for position.

All three companies in the

current imbroglio are perform-ing impressively again after years in the doldrums in the early- to mid-1980s. Amax, for example, made net profits of US\$245.1m in the first half of 1989 on sales of \$2.06hn. In the same period, Falconbridge's net income doubled to C\$259m on revenues of C\$1.3bn.

The arrival of Amax to frus-trate Noranda's typically parsimonions original takeover strategy was, none the less, surprising to many. Earlier in the decade, after all, the Con-necticut-based company had extracted itself from nickel and zinc – anothar Falconbridge staple - as part of a much-needed restructuring pro-

The strategic fit between Amax's remaining cora husinesses – aluminium, coal, gold and molybdenum – and Falconbridge's strongholds of nickel, copper and zinc is far from obvious.

Aluminium, of which Amax is the third-largest integrated producer in the US, accounted for 65 per cent of its first-half sales, with coal contributing a further 14 per cent. For Falcon-bridge in 1988, nickel and ferro-nickal were the dominant revenue sources, at 49 per cent

Indeed, synergies between Noranda's extensive base metals holdings and Falcon-hridge's much-covated Kidd

166.6

Creek copper-zinc-silver nre-body near Timmins in north-ern Ontario are more readily apparent. Noranda's need for fresh copper and zinc reserves to replenish its own depleted deposits is well-known Felcon-bridge acquired the mine from under Noranda's noso in 1985 as a means to reduce its depen-dency on the volatile nickel market.

Amax explains its apparent U-turn in forms of quality of assets. The company says: "We didn't have what we regarded as quality positions at the time. Mining and metals today is a worldwide business. If you

carmot be in the lowest quar-tila in production costs, you had better get out."

Evidently, with Falcon-hridge's Kidd Creek operation

'We either laugh all the way to the bank or we compete. I couldn't tell you which of these we will decide to do.'

Mr Alf Powis

ond its nickel facilities in Canada, Norway and the Domini-can Republic, such concerns do not arise. Mr Allen Born, Amax chairman. says: "Ifal-Amax chairman. says: [Fair-conbridge] will complement Amax's current metals busi-nesses. At this point we have no intention of selling assets to

finance the deal."

Mr Born is also a former colleague of Mr James, having been chief executive of Cana-da's Placer Development when the Falconbridge chairman

was on the board. Should the Amax bid prevail, it would have to run the gauntlet of the Canadian regulatory euthorities. Although Prime Minister Brian Mulroney's Conservative administration has adopted a more relaxed attitude to foreign ownership than its Liberal predecessor. many Canadians remain sensitive to the high level of foreign holdings of domestic business

This week's speculation that Canadian Pacific, once the backbone of the entire domes-tic economy, has been targeted by a foreign suitor will have done nothing to assuage these sensibilities.

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INTERNATIONAL COMPANIES AND FINANCE

TV retailer to appeal GTE verdict

By Anatole Kaletsky in New York

HOME Shopping Network, the world's leading "shop-by-televi-sion" retailer, said yesterday it would appeal against a Florida jury's decision that it must pay \$100m in libel damages to GTE Corporation, the big Connecti-cut-based telecommunications company:

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The jury'a unexpected award, which was announced in Tampa on Wednesday, represented another stunning reversal for the accident-prone HSN, a company whose total market capitalisation is now only \$370m. At the beginning of 1987, HSN was worth over \$3.5bn and was widely touted by Wall Street analysts as one of the greatest growth stocks of the decade.

Ironically, the libel verdict arose from a case which was

Finance side

profits rising

By Robert Gibbens

in Montreal

against \$4.2hn.

keeps Brascan

BRASCAN, the main holding

company of Mr Peter and

Edward Bronfman, of Toronto,

says strength in financial services and some consumer prod-

ucts units offset declines in the

resource sector in the second quarter and first half

C\$145.1m (US\$128.4m) or C\$1.51 a share, op 16 per cent from C\$125.3m or C\$1.80 a year ear-

lier, on revenues of C\$4.7bn,

C\$74m or 77 cents a share, up from C\$68m or 71 cents, on rev enues of C\$2.4hn, against

Second-quarter profits were

Brascan said earnings for all

1989 should set a new record.

• Dofasco, Canada's largest

steel maker, had an excellent

first half but forecasts that

demand will soften in the sec-

First-half earnings were

C\$86.5m or C\$2.05 a share, up

11 per cent from C\$77,7m or C\$1.39 a year earlier, on revenues of C\$2.1bn, up 64 per cent.

The latest period includes

results from Algoma Steel,

First-half net profit was

originally brought not by GTE but by HSN itself. Shortly after its stock price began declining abruptly in early 1987, HSN filed a lawsuit against GTE, which was its main telephone equipment supplier. The HSN suit blamed GTE for a sharp decline in HSN revenues. HSN said it had lost \$500m in profits as a result of failures in its GTE telephone equipment, which had resulted in up to 26,000 potential shoppers an hour being turned away by

engaged signals.
HSN's main marketing technique is to advertise its merchandise on cable television programmes and encourage viewers to place their orders immediately by telephone.

In addition to damages of \$500m for alleged loss of prof-

its, HSN asked for punitive damages of \$1bn, and some stock market speculators had hoped that a large award in its favour would help to revive its flagging commercial fortunes.

However, HSN went beyond a mere lawsuit, issuing a press release on April 1987, which made further detailed accusations against GTE, its services and equipment. These public criticisms gave GTE the basis for a counter-suit, claiming damages for defamation. GTE said that HSN's profits had plunged because of mismanagement, poor service and consumer dissatisfaction with the

quality of its merchandise. The Florida jury essentially supported GTE's position, awarding \$20m in damages against HSN itself and \$40m each against its chairman and

HSN said in a statement that the jury's decisiion had been based on misdirections by the judge in the case and on the court's refusal to admit evidence which was vital to HSN's position. The company said it would appeal against the decision and would seek to pursoe its fraud allegations

against GTE in a new trial. Experts in US lihel law suggested that HSN was unlikely to force a new trial against GTE, but would proba-bly succeed in reducing drastically the jury's \$100m verdict against it. The company's stock rose \$1/4 to \$3% yester-day, after falling \$1 on Wednesday night in response to the

Air Canada ahead at mid-term

By David Owen in Toronto

AIR CANADA, the recently privatised Canadian airline, has reported a sharp downturn in second-quarter profits due to a reduction in asset disposal gains and lower investment

earnings. At the six-month level, howaver, net income soarad by fully 62 per cent. Overall, the airline expressad itself "pleased" with its perfor-

In all, second-quarter net income tumbled by 29 per cent to C\$33m (US\$28m) or 43 cents a share, from C\$46m or C\$1.07 a year earlier. Per share fig-urea reflect a substantial expansion in the company's equity base in the intervening period. Revenues rose by 9 per cent to C\$931m from C\$851m. In the six months ended June 30, earnings reached C\$21m or 28 cents a share on revenues of C\$1.76bn This compared with C\$13m or 21 cents

on revenues of C\$1.66 bn a year

ago. Operating profit over the same period almost doubled to

C\$34m. The reduction in investment income was attributed to a change in accounting methods. The change relates to the handling of Ireland's GPA Group, the aircraft leasing company in which Air Canada holds a sizeable minority stake.

The Government last month sold its remaining 57 per cent stake in the company for C\$12 a share or about C\$490m, tak-ing the airline fully into private hands.

 First-quarter earnings at CAE Industries, the Canadian manufacturer of flight simulators and other electronic equipment, surged more than 80 per

Net income rose to C\$9.9m or 13 cents a share from C\$5.45m or 7 cents in the corresponding 1988 period. Revenues, buoyed by the acquisition of four US companies, more than tripled to C\$268.8m, from C\$85.1m in

Texaco and Exxon to fight tax

By James Buchan in New York

TEXACO AND Exxon, the giant US oil companies, are to go to court to fight demands from federal tax authorities for some \$2m in back taxes and interest. The claims mostly cover profits thay allegedly made from trading cheap Sandi Arabian crude oil at the beginning of the 1980s.

acquired a year ago from Cana-Two other oil companies dian Pacific. Second-quarter earnings involved with Saudi Arabia, Mobil and Chevron, said they were still under audit by the were C\$80.2m or C\$1.24 a share, up 83 per cent from C\$43.8m or Internal Revenue Service but 78 cents a year earlier, on revenues of C\$1.1bn, up 69 per cent. believed the IRS case over the Saudi oil to be without merit. The four companies used to be partners in the Arahian American Oil Company, the venture that produces and sells the bulk of Saudi oil. The IRS case primarily concerns the so-called "Aramco Advantage" from 1979 to 1981, when Saudi Arabia sold its oil below prevailing prices in an effort to stabilise a turbulent market.

During this period, the four Aramco companies bought Saudi crude oil at discounts of up to \$6 a barrel and sold it to their refining affiliates in Europe, which then booked

handsome profits from selling refined products. The IRS wants to tax the companies as if they sold the crude oil at market prices and booked the

profit themselves.
Texaco said that the tax authorities were demanding \$863m in back taxes on the Saudi transactions in 1979, 1980 and 1981 and \$925m in interest. Exxon said it had received a claim for \$269m covering 1979 alone and had already filed a challenge in the tax court. Tex-aco said it would file suit

Paul family divides up India's Apeejay

By David Housego in New Delhi

APEEJAY, an Indian group with interests in steel, phar-maceuticals, shipping and tea, has joined the ranks of companies controlled by Indian families who have decided to divide up both assets and manement control

But unlike other recent family splits in India, members of the Paul family which control Aperjay insist that this one is amicable. It results from the absence of a male heir to Mr Stya Paul, the eldest son, and from the recent jolt to the fam-ily caused by the death in a car accident of one of the two sons of Mr Surrendra Paul, the

youngest brother. Mr Swraj Paul, the brother resident in the UK and who owns the British based Caparo group, the steel and engineering concern, said yesterday that the split had been "car-ried out to see that the next generation does not end up fighting with each other."

In India the four brothers have a reputation for having worked well together in expanding the husiness. Mr Swraj Paul, as an expatriate, was not involved in the division although he remains in close contact with the family's Indian business.

Under a three-way division Mr Stya Paul is taking over most of the Bombay interests of the company including Mar-tin & Harris and Walter Bush-nell, two pharmaceutical com-panies, as well as Surrendra Industries, a steel and tubes manufacturer. Though the remaining two

thirds of the group has been divided equally between Mr Jit Paul and Mr Surrendra Paul, management control is to remain with the latter brother who will be chairman and managing director of all companies owned by Mr Jit Paul. The combined interests of these two brothers include tea, shipping, steel, hotels and

property.

The Apeejay group – one of privately India's largest privately owned companies - publishes no financial statemants, but Mr Swraj Paul says the three-way division involved net assets of Rs3bm (\$183.8m).

Tokyo tightens rules on anti-takeover tactics

By Stefan Wagstyl in Tokyo

THE JAPANESE Ministry of Finance is tightening rules on share issues to block any repeat of a controversial antitakeover tactic attempted last month by two supermarket

chains. The move could make it slightly easier to mount hostile bids in Japan, but the barriers remain formidable.

The ministry will from next Tuesday bar companies from issuing shares for allotment to third parties at a price more than 10 per cent below the market value. The market value will be based on the average price for the previous six months.

This will replace an informal agreement among Japan's largest securities houses which stipulated that the issoe price should be "similar" to the market value without defining that

Chujitsuya and Inageya, two

SHUWA, in addition to its stake-building among Japa-nese supermarket chains, yesterday declared a 15 per cent holding in Matsuzakaya, a leading department store group, Our Financial Staff

Mr Shigeru Kobayashi, president of the privately owned Shuwa, was known to have en amassing a stake. He told the local Kyodo news service he would soon take the necessary procedures as the top shareholder.

"I have a persocal attach-ment to Matsuzakaya with which my father had a long business relationship," he was quoted as saying. The Nagoyabased Matsuzakaya was previously under the control of the Ito family, whose shareholding is now minimal. It ranks fifth in its sector by sales.

supermarket chains trying to However, on July 25 a Tokyo fend off Shuwa, a property group which bas bought large district court blocked the scheme on the grounds that stakes in each, last month the price of the new shares was annunced plans to sell blocks of shares to each other in a too low. Chujistuya intended to sell its stock at one third of the way which would dilute Shuwa's holding. The plan was put together hy Nomura Wasserstein Perella, a corporate finance affiliate of Nomura

market value and Inegaya at a Securities companies will be obliged to refuse to underwrite

issues for any company which violates the new regulations.

Trans-Natal back in the black and resumes payout

By Jim Jones in Johannesburg

TRANS-NATAL, South Africa's second largest coal company. returned to after-tax profits in the year to June despite a drop in sales tonnages.

At bome, sales were reduced as Eskom, the state electricity utility, closed older power stations, while exports were affected by Japanese restric-tions on imports of South African coal. Total sales dropped to 30.2m tonnes from 33.8m tonnes hut higher prices and favourable exchange rate movements allowed turnover to increase to R1.07bn (\$408.3m) from R870m.

Pre-tax profits were R71.4m against just R1.3m, and net earnings were 76.4 cents per capital unit against a deficit of 4.2 cents. Dividends have been resumed with a payment of 30 cents.

Mr Brian Gilbertson, the chairman, said exports to Japan remain affected by an official freeze on the value of South African imports. As a result, sales volumes to the country were cut by about 10 per cent from some 2m tonnes tba previous year. Development of alternative Asian markets lifted total exports to 7.9m tonnes from 7.4m tonnes.

Exports are expected to rise again this year but the domestic market is unlikely to improve while Eskom keeps power stations in mothballs. Trans-Natal is controlled by Gencor, the country's second largest mining group.

• Highveld Steel & Vana-

dium, a steel and ferro-alloys maker, quadrupled first-half earnings as demand and prices of all of its products strengthened at home and abroad.

Prices of vanadium and fer-

ro-silicon have weakend since June but the directors believe second-half earnings will match those of the first. Turnover increased to R777m from R499m and the interim pre-tax grofit was R303.8m against

Net earnings rose to 237.2 cents a share from 61 cents and the interim dividend is 50 ceots (of which 20 cents is a special payout) against 14 cents. Last year's full earnings were 170.6 cents and the dividend totalled

Saudi Basic Industries **surges 216%**

By Finn Barre in Rivadh

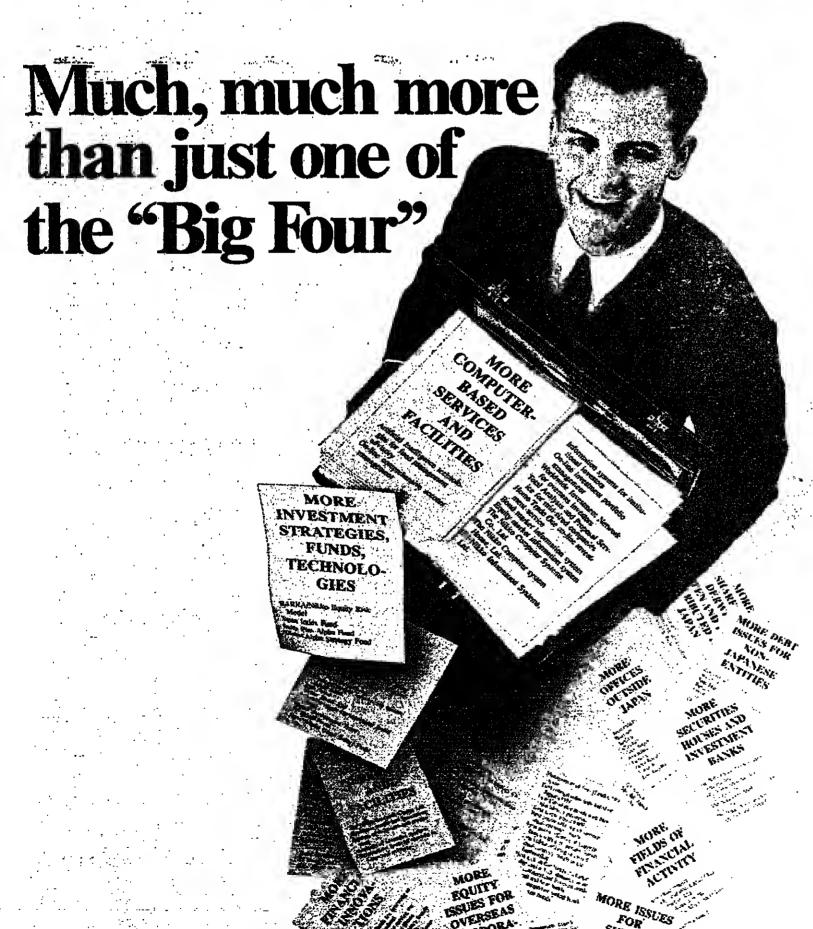
SAUDI BASIC Industries Corporation (Sabic), the kingdom's petrochemical giant, showed a 216.5 per cent increase in net income for last year to reach SR3.68bn (\$981.3m).

It also announced the completion of the last of 15 bid petrochemical projects and is giving shareholders a 35 per cent return on the face value of their equity for the year.

Sabic, which bas formed joint ventures with foreign companies to build its steel. petrochemical, plastics and fertiliser plants, is paying a 10 per cent divideod on the SR100 par value shares. Also, because shareholders had paid only balf the capital, Sabic is putting up an amount equal to 25 per cent of the stock value. Cost of the distribution totals

some SR500m. Sabic is 70 per cent government owned, with the remain-der held by Saudi and Gulf Co-operation Council citizens.

Revenues soared 66.5 per cent to SR9.32bn. Total assets rose 14.2 per cent to SR26.96bn.



You probably think of Nikko Securities as one of Japan's "Big Four" securities houses. But if you think Nikko Securities is big only in Japan, we've got news for you.

Today, Nikko is one of the largest securities houses in the world. Our 18-country network covers almost every field of financial activity. At the end of 1988, we had over US\$260 billion in client assets in custody, equal to 7% of the market value of all stocks listed on the Tokyo Stock Exchange - and more than the total value of the Paris Bourse or Frankfurt Stock Exchange!

We also have some of the world's most advanced Investment Technology (IT). Our Japan Index Strategy, the first to apply a quantitative approach to the Japanese equities market, is one of just a few methods available that can closely track the performance of the Tokyo Stock Price Index, which grew at a remarkable rate of 36.6% during 1988. Nikko Securities' IT-based products meanwhile took first, second, fourth, and fifth places for performance among all investment trusts in Japan that year,* helping to swell our IT-related assets to over US \$28 billion in just three years.

In other areas, Nikko and its subsidiaries lead-managed 61 debt issues for corporations, supranationals, and governments in capital markets outside Japan in 1988 alone, and have ranked well in the top ten in the Eurobond League for three years running.

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Iwatani International Corporation

U.S.\$300,000,000

3\% per cent, Guaranteed Bonds 1993

unconditionally and irrevocably guaranteed by

The Sanwa Bank, Limited

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to subscribe for shares of common stock of Iwatani International Corporation

ISSUE PRICE 100 PER CENT.

Nomura International

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This announcement appears as a matter of record only.



World Wildlife Fund U.S.

has purchased

U.S. \$2,111,111.12

Republic of Madagascar Debt

Debt For Nature Exchange

Amsterdam-Rotterdam Bank, N.V. Bankers Trust Company Banque de L'Union Europeenne Credit Commercial de France Dresdner Bank AG National Westminster Bank PLC Societe Generale

> The undersigned acted as financial advisor and arranged the sourcing of the debt. **Bankers Trust Company**

WORLD ECONOMY

The Financial Times proposes to publish a Survey on the above on

26 SEPTEMBER 1989

For a full editorial synopsis and advertisement details, please contact:

NIGEL BICKNELL

on 01-873 3447 or write to him at:

Number One, Southwark Bridge

London SEl 9HL.

FINANCIALTIMES

U.S.\$400,000,000 Floating Rate Subordinated Capital Notes Due 1997

L Interest Payment Date: 7th September, 1989.

BfG:

The Interest Payment Date will to 7th February, 1990. ael Montagu & Co. Limiter

PRINTING

CIVAS 3 LIMITED August 4, 1989, London By Chibank, N.A., (CSSI Dept.), Agent Bani

Bank America Corporation

Holders of Notes of the above issue are hereby notified that for the next interest. Sub-period from 7th August, 1989 to 7th September, 1989 the following will apply:

Rate of Interest for Sub-period: 8 1/2% per annum.

Interest Amount payable for Sub-period: USS365,97 per USS50,000 nominal.

Accumulated interest Amount payable: US \$1,160.06 per US\$50,000 nominal.

Next Interest Sub-period will be from 7th September, 1989 to 10th October, 1989.

Agent Bank Bank of America International Limited

Bank für Gemeinwirtschaft Aktiengesellschaft. London Branch U.S. \$100,000,000 FLOATING RATE DEPOSIT NOTES 1992

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period 7th August, 1989 to 7th February, 1990 the Notes will bear interest at the rate of 8 9, 10% per annum.

The Coupon amount per U.S. \$10,000 Note will be U.S. \$437.64

The Interest Payment Pate will be

TECHNOLOGY The Financial Times

proposes to publish this survey on: 25 SEPTEMBER 1989 For a full editorial synopsis and advertisement details, ALISON BARNARD оп 01-873 4148 or write to her at: Number One, Southwark Bridge, London SEI 9HL

interest Rate 8.48% p.a. Interest Period August 4, 1989 to February 5, 1990. Interest Payable per US\$100,000 Note US\$4,357.78.

INTERNATIONAL CAPITAL MARKETS

LTCB proposes advisory venture with US group

By Ian Rodger in Tokyo

LONG TERM Credit Bank of Japan plans to set up a joint venture investment advisory company in the US with the Philadelphia investment management group, Miller, Anderson and Sherrerd.

It is part of the Japanese bank's strategy for expanding its presence in the fund manment busin Last October, LTCB set up a joint vecture in London with

the UK investment manage-ment group. Foreign and Colo-It is expected that invest-meot advisory companies in Japan will be allowed to coter

the pensioo fund management business sometime during next At the moment only life insurance companies and trust banks are allowed to manage pension funds.

LTCB has a large investment advisory subsidiary, called LTCB Investment Management which has assets of more than

Which has assess of more than Y600bn under its management. The company hopes to expand rapidly in pension fund management and, if possible, in investment trust management.

investing institutions, it has elected to collaborate with US and European groups to access expertise on foreign markets. It wants to tap Miller, Anderson's knowledge of US securities and is seeking expertise on global fund management from Foreign and Colonial.

The company hopes also that the joint ventures will attract

pension fund management contracts from the bank's industrial clients' businesses in Europe and the US.

LTCB has already established a relationship with Miler, having purchased an 183 per cent stake in the firm in January 1988.

in January. 1988.

The capital of the new joint venture is expected to be \$1m; of this, LTCB will hold 60 per cent and Miller the rest. Like some other Japanese

The same proportions apply in the venture between LTCS and Foreign and Colonial. LTCB would not comment on its new venture, as it is still awaiting approval from the Federal Reserve Board in the

Approval is expected to be received in September or Octo-

Yasuda in futures pact with Goldman

By Stefan Wagstyl in Tokyo

YASUDA TRUST and Banking, the Japanese trust bank, and Goldman Sachs, the Wall Street investment bank, have forged a co-operation pact in financial futures.

Goldman will execute, on Yasuda's behalf, financial futures trades on US exchanges and will accept trainees from Yasuda in its financial futures department. The agreement covers all transactions for Yasoda's cli-ents hut not Yasuda's own-account or trust account trading. Goldman is a clearing member of the Chicago Board of Trade and of the Chicago Mercantile

Exchange and Yasuda is not. The agreement follows other similar tie-ups between Japanese companies and US groups with experience in financial

Most recently, Nomura Securities, the largest Japanese stockbroker, teamed up with Resco, the Chicago-based futures trading company.

Japanese companies want to increase their knowledge of financial futures and their access to the Chicago markets because since the end of June they have been permitted to broke foreign futures to Japanese clients. Also, the Tokyo International Financial Futures Exchange opened on

News of the Yasuda-Goldman agreement caused a stir in Tokyo yesterday because Gold-man already has links with Sumitomo Bank, which bought a \$500m stake in Goldman three years ago. There is fierce rivalry between companies in the Sumitomo grouping and Fuyo, a grouping headed by Fuji Bank, which also includes

Yasuda Trust.

Both Yasuda and the Tokyo office of Goldman played down the importance of the deal, emphasising that capital par-ticipation was not involved. Goldman said it took trainees from several Japanese companies and also acted for them in clearing trades on the Chicago

The tie-up is the second international link forged this merhational link longer that year by Yasuda. In March it revealed plans to invest in M&A Strotegy, a Chicago-based mergers and acquisitions com-

 Nomura Securities is launching a Y20bn fund to help develop the Singapore and Malaysian capital markets,

Renters reports. Singapore Nomura Merchant Banking said the fund, Malaysia Singapore fund, will be offered to Japanese investors and seeks long-term capital appreciation through invest-ment in a diversified portfolio of equities in Singapore and Malaysia.

Nomura said the fund offering price per unit is Y10,000 and that its duration is six years. The offer period is from August 1 next year.

FT INTERNATIONAL BOND SERVICE

Closing prices on Angust 3
Change as

Bid Office day work Yield

101-1 101-1 -0-1 0 5.15

101-1 101-1 -0-1 0 5.15

101-1 101-1 -0-1 0 5.15

98-1 99-1 0 +0-1 5.20

99-1 100-1 0 +0-1 5.12

98-1 98-1 98-1 0 +0-1 5.12

98-1 98-1 98-1 0 +0-1 5.22

107-107-2 0-1 +0-1 5.22

37-0-1 00 week+0-1 5.22

37-0-1 00 week+0-1 5.22 | STRAIGHT | Street | Street | Straight | St

World Bank 94, 96. 300 1074 1074 - 014 - 1 8.29

Average price change. On day -03 on week +034

STRAIGHTS

Stated Bid Offer day week Yield

Asian Dev. 8K 6 94. 200 963, 964, 0 +014 6.76

Bank of Tokyo 53, 93. 100 964, 974, 0 -014 6.76

Bank of Tokyo 53, 93. 300 953, 964, 4043, 0 6.66

Credit Foncier 64, 99. 500 1993, 994, -034, -03, 7.80

E.I. 8 54, 99. 500 1993, 994, -034, -03, -03, 6.76

E.I. 8 64, 99. 500 964, 964, 0 +014 6.75

E.I. 8 64, 99. 500 964, 964, 0 +014 6.75

E.I. 8 64, 99. 500 965, 971, 403, 404, 6.65

E.I. 8 64, 99. 500 1003, 1003, 0 -014, 6.75

E.I. 8 64, 99. 300 1003, 1003, 0 -014, 6.75

E.I. 8 64, 99. 300 1003, 1003, 0 -014, 6.76

E.I. 8 64, 99. 300 1003, 1003, 0 -03, 6.74

Euroftma bis 96. 100 971, 971, 0 -03, 6.71

Euroftma bis 96. 100 971, 974, 0 -03, 6.77

Euroftma bis 96. 100 973, 973, 404, 404, 6.69

L.I. 8 64, 99. 300 1993, 993, 404, 404, 6.78

Elizance 54, 97. 300 1924, 934, 0 0 6.67

Hydro-Quebec 64, 99. 300 1993, 993, 404, 404, 6.79

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L.I. 8 64, 9 Zentrapk. 131, 93 AS. 75 1971 98 +012 +13 13.96

FLOATING RATE
MOTES

Alliance & Leic Bid 94 £ 08 100.00 100.05 24/10 14.08
Bank of Greece 99 US 08 100.00 100.05 24/10 14.08
Okelt, & Gloucester 94 £ 08 100.00 100.05 24/10 14.08
Okelt, & Gloucester 94 £ 063 99.93 99.98 30/08 14.06
Oresider Finance 99 UM 083 99.93 99.98 30/08 14.06
Oresider Finance 99 UM 083 99.93 99.98 30/08 14.06
Oresider Finance 99 UM 083 99.93 99.98 30/08 14.06
Oresider Finance 99 UM 100.05 30/10 6.97
EEC 3 92 OM 100.05 100.35 22/09 3.63
Hallitans BS 94 £ 00.31 99.94 100.05 30/10 6.97
Inst. In Industry 94 £ 100.05 100.13 1/08 12.97
Inst. In Industry 94 £ 100.05 100.15 100.20 13/10 14.06
Inst. BS 94 £ 100.05 100.15 100.20 13/10 14.06
Inst. BS 95 E 100.05 100.48 14/08 9.87
Okalicand S 97 £ 100.20 100.26 13/10 14.06

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redesmollow of the mid-price; the amount bused is in millions of currency units except for Yea bonds where it is in hillions. Change on week. Change over price a vece earlier. Finating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Caft to Date next coupon becomes effective. Spread - Maryin above six-mouth offered rate littleremonth; Spread - Maryin above six-mouth offered rate littleremonth; Sabove mean rated for US dollars. C.cpn - The corrent coupon.

mappe, competitive Bands: Denominated in deliars coless otherwise indicated. Chy. day "Change on day. One date "First date of conversion into Shares. Can, price "Horninal amount of bond per share expressed requirement of share at conversion rate fixed at Issue, Prem; — Percentage premium at the currenterfective price of acquiring shares via the bond over the most recent price of the shares.

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Section 1887-1881.

US finance for Brazil aircraft maker

By John Sarham in Sao Paulo

FIRST BOSTON Corporation is putting together a financing puckage for Embraer, the suc-cessful Brazilian aircraft mannfacturer, which could raise up to \$535m for the company. Embraer wants to win 25 per cent of the regional aviation market by the early 1990s.

However, Embraer's owner, the cash-strapped Brazilian sir the cash-strapped Brazilian sir force. was unable to raise funds locally to develop two new models after the Government suspended tax hreaks for corporate investors and the National Economic and Social Development Bank (BNDES) turned down a request for a \$150m loan. Instead, First Boston is devising a potent cockitall of foreign debt-for-equity conversions and pre-production financing aimed mainly at foreign investors.

Embraer lost \$20m in 1988

Embraer lost \$20m in 1988 on sales of \$523mm, bot expects a \$70m profit for 1989, 10 per cent of forecast sales. The central bank has airendy The central bank has already given the company formal approval to raise up to \$100m through a debt-for-equity con-version. Embraer has acquired naturing foreign debt owed by BNDES at a steep discount.
As the debt falls due, banks

will convert the paper in Bra-zil at its full value in local currency, rather than have the money blocked at the Central Bank, Embraer will then issue proferred stock to lovestors. An Embraer official said: "We are now practically at the beginning of the conversion process itself." However, he warned that no voting stock will be offered, to avoid dint-ing the air force's control of the company. Embraer has already begun offering \$85m worth of convertible deben-tures on the local capital markets. The paper will be used to radnce the company's \$300m debt and finance a new \$300m

of Argentina. First Boston and Embraer are negotiating an unorthodox pre-production financial package. Embraer hopes to raise some \$225m from anppliers and investors for a development fund to finance its first jet aircraft. The fund will pay dividends to investors on sales of the 45-seat aircraft, expec-ted to reach the market in 1992 at a unit cost of \$1 im.

19-seat turboprop aircraft

under development with Fama

Daiwa forms M&A group in London

By David Lascelles,

Banking Editor DAIWA EUROPE. Japanese securities firm, has formed a London-based subsidiary specialising in European mergers and acquisitions.

Its chairman is Mr Minoru Mori, chairman of Daiwa Europe, and its managing directors are Mr Ray Douse, formerly of Patricof & Co, and Mr Colin Scotland from Citicorp investment Bank.

The new company is part of a growing trend among Japanese financial institutions to establish themselves in the European M & A business in anticipation of a growth in cross-order acquisition business.

Euro-clear to offer escudo settlement

EURO-CLEAR said that Buro-securities denominated in Portugese escudos will be eligible for settlement through its system effective August 21 in order to facilitate trading for international investors.

writes Norma Cohen.
Initially, the final certificate payments of two outstanding European Investment Bank bond issues will be accepted, to be followed by other eligible securities are included. securities as issued. The escudo will thus become the 26th currency in the Enroclear system.

Chase to set up Maltese unit

CHASE MANHATTAN, the big US bank, plans to set up a financial operation to Malta when the island inaugurates its offshore centre later this year writes Godfrey Grims in Valletta.

Chase is the first international bank to tall Malta it will

tional bank to tell Maita it will apply for a licence as soon as the new offshore centre comes on stream. The bank has enjoyed close business ties with the island.

To woo business, Malta is offering companies tax concessions. Licensed companies are also being freed from several impositions levied on compa-nies that operate on the island. Regulations governing regis-trations are due to be published shortly.

INTERNATIONAL CAPITAL MARKETS

US Treasuries dip in dull trading

By Karen Zagor in New York and Norma Cohen in London

US TREASURY bonds traded moderately lower yesterday morning. Yield on the bell-wether 30-year bond remained well below 8 per cent and sell-ing was subdued and confined mainly to profit taking ahead of tha July employment figures due this morning. At mid-day the long-bond was down it at 1114 yielding 7.88.

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1-1144

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GOVERNMENT BONDS:

.The Federal Reserve drained liquidity from the system by arranging overnight matched sales when Fed funds were at 81 per cent. Although the Fed'a target level for the funds, the rate at which banks lend to each other, is still thought to be 9% per cent, they have closed below 9 per cent all

In early afternoon the dollar was trading in a narrow range at Y136.95 and DM1.8655, up slightly from Y136.60 and DM1.8575 late Wednesday in

BENCHMARK GOVERNMENT BONDS -6/32 10.85 10.74 -8/32 10.16 19.05 -12/32 9.24 9.21 US TREASURY 9.125 5/99 2/19 96.9731 -0.418 5.09 5.14 187.0618 -0.001 4.95 4.98 . 7.000 2/99 102.6250 -0.275 8.62 6.64 97.8796 -0.247 8.56 8.66 98.4700 -0.040 8.35 8.44 CANADA * 10.250 12/98 107.1750 +0.300 9.09 9.31 9.28 7.000 · 3/99 100.3500 -0.016 6.94 7.03 7.08 AUSTRALIA 12.000 7/99 94.4850 +0.158 13.00 13.27 13.40

ical Data/ATLAS Price Sources

■UK GOVERNMENT honds suffered losses of up to 1/2 point in very thin trading with most price declines reflecting mark-downs of existing inventory rather than outright sales. Dealers said that retail demand has been virtually

non-existent and with the sharp declines in the value of

maturities suffered. Prices have shed over a point from recent highs and there appears little interest at current levels.

■ FRENCH GOVERNMENT bond prices slipped slightly, mostly in response to lacklus-tre US markets where investors are awaiting key employsterling yesterday, longer

The French Government sold a total of FFr8.71bn of Treasury bonds at its regular monthly bond auction yesterday. Blds focused heavily on the 10-year OAT 8.125 per cent 1999, but the Government also sold nearly FFr3bn of its new 30-year bond, OAT 8.5 per cent 2019, launched in January this year and the longest maturity the French Government has issued. The auction will take the volume of outstanding 30year stock to over FFr11bn, adding dapth at a maturity that matches the lifespan of the main benchmark US Trea-

Tha Government accepted bids for FFr2.96bn of the 2019 stock at a cut-off price of 99.95, giving a weighted average yield of 8.50 per cent, 41 basis points below the last auction a month earlier.

sury bond.

The main 1999 stock was sold at a cut-off price of 98.65, giving a weighted average yield of 8.32 per cent for the FFr4.53bn of hids accepted. The yield was 38 basis points lower than at last month's auction.

EdF Canadian dollar deal trades lower

By Andrew Freeman

FRUSTRATION was the word on syndicate managers' lips yesterday, as Eurobond mar-kets largely defied new issue opportunities.

The C\$150m 10-year deal for Electricité de France launched very late on Wednesday by Paribas Capital Markets met general approval yesterday,

INTERNATIONAL BONDS

FT-SE 100 SHARE INDEXA

1%. comfortably inside full underwriting fees of 2 per cent. the paper slipped back to around less 1.95 bid, implying a spread of around 55 basis

Merrill Lynch was the lead

BOITOWAY US DOLLARS

sul Int. Fin.

manager of a C\$75m two-year deal for its parent company. The 11 per cent coupon was aimed at the retail market. The 75 basis point spread over Canadian Treasuries bronght out institutional demand and

NEW INTERNATIONAL BOND ISSUES

the bonds traded steadily on fees at less 1% bid. Despite the slippage on the government market, the spread narrowed to around 72 basis points. The proceeds were awapped into floating rate US dollars.

| | Flash Ltd. Series Jt (*)
lesue update: | 30 | 16bp | 100.10 | 1993 | 10bp | Sanwa Int. |
|----------------------------------|---|---------------|-------------------|-------------------|------------|-------------|-----------------------------|
| ithough the bonds traded off | Kubota Ltd. 4 (d) | 300 | 3% | 100 | 1993 | 12/34 | Nomura Int. |
| lightly in the afternoon in line | Dalo Paper Corp. + (d) | 150 | 5 % | 100 | 1993 | 112/14 | Yamaichi Int. |
| with the Canadian government | Nippon Stainless Steel ♣ (d) | . 100 | 3% | 190 | 1993 | 12/3 | Yamaichi Int. |
| ond market | CANADIAN DOLLARS | | | | | | |
| The paper offered a 9% per | Marriil Lynch & Co.◆ | 75 | 11 | 101.80 | 1991 | 58/12 | Merrill Lynch Int. |
| ent coupon and was priced at | D-MARKS . | | | | | | |
| 01.60 to yield an initial 55 | Prima Meat Packers | 150 | (1¾) | 100 | 1994 | 1%/% | Commerzbank AG |
| oasis points over government | Issue update: | 400 | 49. | 100 | 4004 | 112/4 | Deutsche Bank AG |
| nonds. Most houses invited | Dalo Paper Corp.+(b) | 100 | 134 | 100 | 1994 | 1-2/-4 | Deutsche Bank AG |
| nto the deal preferred to wait | SWISS FRANCS | | | | 4000 | | Company Contract |
| | Michinoku Bank+ +5 | . 60 | 27 | 100 | 1993 | na | Credit Suisse |
| until yesterday morning to | Tasaki Shinju Co. ** | 80 | 24 | 100 | 1994 | 128 | Banca del Gottardo |
| respond, leaving Paribas with | Dalshinku Corp. **§ | 00 | (¹ 2) | 100 | 1994 | 158 | SBC |
| an overnight risk. By the time | lasue update; | | -7 | | | | II. and the set at attent |
| all overtuent rise to the mic | Kasal Kogyo Co.♦♦(e) | 50 | 238 | 100 | 1993 | 11/2 | Handelsbank NatWest |
| hey accepted, the spread was | Nippel Toyama Corp.★★\$◆(c) | 90 | 74 | 100 | 1984 | 158 | Yamaichi Bank (Switz) |
| around 51 basis points after a | FRENCH FRANCS | | | | | | |
| strong and unexpected rally in | Norsk Hydro A5+(a) | 300 | 83. | 1015 ₈ | 1995 | 13/3 | Paribas Cap.Mids. |
| 10-year government bonds. | with equity warrants. Final ter | ms. a)Coupo | n cut by 4 % | . (b)Coupon | fixed as i | ndicated, o | Yield to put 3.792%, d)Coup |
| After opening well bid at less | cut by 12. a) 15bp over 6-month Lit | or, 1)15bp or | er 3-month | Libor, a)Fun | alble with | FFr 500m | issue launched Jan. 1989. |
| | | | | | - | | |

Japanese buy 12% holding

MITSUI TRUST and Banking and six Japanese insurance companies have acquired a combined 12 per cent share-holding in US investment bank Credit Suisse First Boston,

Reuters reports.
In New York, an official for CSFB said the company had made no formal announcement and that no statement on a sale of the stake is currently

CSFB confirmed in June that it was holding talks with a group of Japanese insurance companies to take a stake of up to 20.5 per cent in the com-

Metropolitan Life Insurance Company of tha US has already purchased a 10 per cent stake from Mr Suliman Olayan, the Sandi Arabian investor who was brought in last December as a caretaker investor until permanent equity investors could be found.

He subsequently indicated that be might be interested in obtaining a permanent stake

in the company.
According to Reuters, Mitsui hought a 5 per cent stake, and Dai-Ichi Mutual Life Insurance 2 per cent. Nippon Life Insur-ance, Mitsui Mntual Life Insurance, Metji Mutual Life Insurance, Asahi Mutual Life Insurance and Daihyakn Mutual Life Insurance bought

1 per cent each.
Purchase price for a 1 per cent stake was around \$21m, company officials said.
But officials declined to give

specific purchase price or other details of the deal. CSFB is owned 44.5 per cent by Credit Suisse affiliate CS Holding and 25 per cent hy CSFB executive managers, 10 per cent by Metropolitan Life and the remainder by Mr Olayan. Some officials said the pur-chase is purely for investment purposes and their companies do not plan to send executives to CSFB's board.

• The Chicago Mercantile Exchange will consider a par-tial ban on dual trading in an attempt to protect outside customers from potential frand. The han was approved by the board of directors of the exchange and will be voted on by the membership, the CME

Swaps poised to blossom as CFTC steps aside

Deborah Hargreaves on a policy greeted with glee

n its recent policy state-ment on the burgeoning market for over-thecounter products, the Commodity Futures Trading Commission removed a cloud that had been banging over the vast US swap market for several

By creating a safe barbour for swaps outside its jurisdiction, the futures industry regulator paved the way for a huge growth in this lucrative mar-ket sector.

The International Swap Dealers' Association greeted the announcement with delight. Mr Mark Brickell, ISDA chairman, said the CFTC's ruling leaves US and foreign firms free to develop and market all sorts of swap contracts in the US, removing the uncertainty that had sorrounded the

area. Mr Brickell attributed the CFTC's change in direction to the astute leadership of Ms Wendy Gramm, who took over the chair of the CFTC last year. The reason why the CFTC's safe harbour policy has been welcomed with such glee is that it reverses the commission's previous approach to the

in December 1987, the CFTC laid out a draft proposal for its approach to regulating the off-exchange market. In that first draft, the commission included swap contracts under its jurisdiction to he regulated like

futures contracts. In fact, the agency issued subpoenas to several US hanks involved in developing commodity swaps. Fearing a crackdown on their nascent swap husiness, the hanks moved their commodity swap teams to London.

The CFTC now says it will stay away from regulating swaps as long as they are not marketed to the public. This has already seen interest flooding back to the US, with the Phibro trading group taking full-page advertisements in US newspapers alerting readers that it will be back in the US swaps business.

It is the youthful commodity swaps business that is most affected by the CFTC's declsion, since this was just under development at the time of the agency's initial proposal. Inter-



Wendy Gramm; astute leadership of CFTC

bank swaps on interest rates and currencies are already well established with a worldwide volume of over \$1,000bn.
"The commodity swaps busi-

ness has been greatly limited because of the threat of CFTC enforcement," explains Mr Tom Russo, commodities law-yer et Cadwalader, Wickersham and Taft in New York. "This new policy statement will lead to a huge growtb."

Commodity swaps are used principally by the oil industry, but they can cover other commodities such as wheat or stock indices. A swap contract resembles a tailor-made futures contract for end-users of oil, such as shipping or airline companies, to bedge against fluctuations in the oil

In contrast with a hedge on the futures market, a buyer of a swap contract does not bave to spend time monitoring his position in the market and meeting margin calls. Swaps often run over several years and are usually settled between huyer and seller in

Ms Dehra Kellner, assistant trading manager for Hedge Oil in Paris, a firm that offers tailor-made oil swaps, says she has seen the momentum of the market change over the past year as oil users have learnt more about using swaps. Hedge Oil has conducted over 1m tonnes of oil swaps since it

was set up last May.
Indeed, the CFTC's policy statement has given a psychological boost to the whole mar-

There has been much concern emong the futures exchange community to see the swaps dilemma cleared since much swaps husiness is eventually hedged on an establisbed futures exchange.
In a bid to ensure that swaps

remain distinct from futures, the CFTC has laid out five criteria for excluding swaps from its jurisdiction. These stipulate that a swap must be tailor-made and held to maturity - not offset by opposing con-tracts as often happens with futures contracts.

In addition, swaps are included in the CFTC's safe harbour as long as they are oot supported by a credit or clearing organisation and are undertaken by commercial parties in their direct line of business. At the same time, the CFTC prohibits marketing the

swep to the public.

Mr Russo says the line of business clause is still a restrictive item in the CFTC's statement. He believes it could lead to confusion without more guidence end could be an unnecessary limitation on the market. However, he admits this is e minor quibble about a very positive move by the

Mr Bradley Ziff, executive director of the International Swap Dealers Association commented: "The fact that, after 18 months of scrutiny, the commission chose this course attests to the strength and soundness of the swap mar-

Indeed, if commodity swaps grow to be as large as the market for financial swaps, their potential is huge. A recent international survey by the ISDA showed that total interest rate swaps reached a value of \$1,000bn last year with currency swaps totalling \$317bn.
The market is still booming,
with the use of swaps growing
at a rate of around 30 to 50 per cent a year.

The vast swap market has spawned a variety of similar products known as caps, floors, collars and swaptions. Market players will oow be able to apply their creativity to commodity swaps and the market looks set to blossom as the CFTC steps aside.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries Wed Tue Mon Year EQUITY GROUPS Thursday Angust 3 1989 31 (approx) & SUB-SECTIONS Figures in parentheses show nur stocks per section | 4.07 | 11.42 | 19.57 | 788.27 | 788.24 | 790.24 | 823.47 | | 4.54 | 19.33 | 25.92 | 1218.32 | 1215.95 | 1047.22 | | 4.53 | 9.06 | 32.76 | 1613.23 | 1609.96 | 1624.16 | 1616.03 | | 3.57 | 15.33 | 50.60 | 2713.79 | 2904.96 | 2941.47 | 2236.17 | | 3.54 | 12.57 | 9.57 | 543.37 | 542.11 | 545.78 | 433.19 | | 5.78 | 5.55 | 14.84 | 519.52 | 521.63 | 531.29 | 566.25 | | 4.24 | 11.22 | 6.83 | 360.56 | 356.56 | 359.51 | 291.30 | | 3.18 | 15.44 | 20.36 | 1342.27 | 1326.07 | 1325.09 | 1112.37 | | 3.27 | 14.02 | 21.93 | 1478.02 | 1462.50 | 1451.71 | 1117.30 | | 3.51 | 14.74 | 20.55 | 1195.10 | 1188.01 | 1197.52 | 1012.18 | | 2.67 | 16.91 | 32.27 | 2592.46 | 2382.80 | 2371.46 | 1883.57 | | 1.71 | 17.28 | 22.24 | 2414.82 | 2362.80 | 2371.46 | 1883.57 | | 1.71 | 17.47 | 29.79 | 1775.55 | 1766.63 | 13751.31 | 1367.12 | | 4.08 | 13.08 | 9.11 | 682.09 | 603.36 | 601.25 | 535.91 | | 4.44 | 15.22 | 72.55 | 5754.59 | 3753.31 | 3777.26 | 3622.18 | | 4.92 | 13.48 | 16.19 | 908.33 | 887.73 | 889.01 | 287.28 | | 4.92 | 13.48 | 16.19 | 908.33 | 887.73 | 889.01 | 287.29 | | 4.71 | 10.49 | 28.02 | 1318.86 | 1310.95 | 1311.14 | 1084.21 | | 4.68 | 11.98 | 26.22 | 1725.80 | 1719.07 | 1766.05 | 1227.54 | | 4.59 | 11.49 | 22.38 | 1047.75 | 1078.86 | 1078.34 | 773.74 | | 4.59 | 13.54 | 29.90 | 1982.59 | 1995.43 | 2019.88 | 1209.47 | | 3.66 | 13.54 | 29.90 | 1982.59 | 1995.43 | 2019.88 | 1209.47 | | 3.66 | 13.31 | 20.83 | 1225.84 | 2166.11 | 1217.84 | 995.24 | | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 | 4.82 11.42 19.57 988.27 984.24 990.24 823.47 19.33 25.92 1218.32 1218.31 1215.65 1047.22 9.06 32.70 1613.23 1609.98 1624.16 1616.93 -0.1 10.77 +0.2 12.06 +0.1 14.43 4.07 4.34 4.33 1 CAPITAL 6000S (207)787.84 1220.91 1615.47 6 Mechanical Engineering (55) 8 Metals and Metal Forming (6) ... 9.75 19.77 10.47 543.06 9 Motors (17)..... 10 Other Industrial Materials (23)_ 358.13 1704.48 1349.21 8.93 8.49 7.81 6.11 7.10 9.65 8.47 9.68 10.69 9.73 6.90 11.24 9.82 8.53 11.34 8.38 1493.00 2579.10 2461.41 1774.83 1315.33 43 Conglomerates (13). 48 Miscellaneous (26) 49 INOUSTRIAL GROUP (486) 1223.13 -0.2 9.29 3.65 13.31 20.83 1225.84 1216.11 1217.84 995.24 +6.1 9.86 5.19 13.49 64.24 2152.42 2149.08 2158.79 1843.48 -0.1 9.36 3.85 13.33 24.38 1304.13 1295.59 1297.94 1067.23 +0.2 -+0.2 22.06 +0.4 -+0.6 --0.2 7.89 -0.3 -+0.2 6.16 -0.8 11.38 1 FINANCIAL GROUP (124). 1175.82 69 Property (52)..... 70 Other Financial (31)..... 2.59 - 15.47 1227.31 1223.67 1223.87 927.04 3.72 23.87 10.45 692.01 691.20 690.40 529.29 5.02 11.60 43.33 1426.46 1412.79 1414.11 1172.83 71 Investment Trusts (69) -0.8 1414.67 -0.8 9.84 5.02 11.40 43.33 1426.46 1412.79 1414.11 1172.85 1176.27 -0.1 - 4.01 - 22.73 1177.16 1170.46 1173.25 975.20 99 ALL-SHARE INDEX (703).

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LONDON TRADED OPTIONS

continued to shift positions in this

PLESSEY DOMINATED the traded options merket yesterday, following the 270p per share bid for the group from GEC, helping to push up volumes to the highest level of the week - 39,353 contracts,

the week - 39,353 contracts, ebout averege dally volume in recent months.

The level of the bid for Plessey diseppointed the merket. The 6,131 contracts - equivalent to more then 120m shares - which changed hands in Plessey comprised 3,522 calls and 2,609 puts, and 4, stentificant closings out of amid a significant closing out of positions built up as the bid spec-

Plessey trading was dominated by the August 260 call, where 1,122 contracts traded, and the August 280 puts, where 930 options changed hands. Traders

February.
One UK house reversed the one UK nouse reversed the straddle it effected on Wednesday in the November 280 series, proliting from reduced volatility following the ending of uncertainty surrounding the bid. Some 467 calls and 349 puts traded there.

Trading In the FT-SE Index con-tinued its quiet spell, with only 4,492 optione traded, 2,424 of which were puts. The option has seen little impact from the big

discount to tair value which has built up in the FT-SE future. The FT-SE September future eetited at 2,309.5 end the cash market at 2,306.3. The cost of car-

stock and others from the August series, which expires next Wednesdey to November end would imply e normal premium of 26 to 30 points, but the lutures markel has attracted at least one rumoured persistent institutional seller, depressing the premium of

the futures merket over cash. Apart from Plessey, unusuel activity was seen in Land Securities, one of six stock options to surpess the 1,000-contract level. Some 1,211 contracts chenged hands, 1,200 of them calls. The October 600 calls domineted with the contracts trading with the

rying stocks until September

October 600 calls domineted with 1,084 contracts trading, with one UK house buying 650 of them.

The other actives were BP, where 3,744 contracte traded, 2,753 of them puts, British Gas, where 2,559 changed hande, all but 12 of them calle, Guinness et 1,075 and Rolls-Royce at 1,007.

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TI exceeds expectations with £49.2m

By John Ridding

TI GROUP, the restructured specialist engineering com-pany, yesterday announced pre-tax profits ahead 23 per cent from £40.1m to £49.2m for the six months to June

The results generally exceeded expectations but profit-taking pushed the shares down 10p to 464p.

Turnover fell from £473.2m

to £460.9m. largely reflecting the disposal of the silencer and Canadian automotive businesses at the end of 1988 and the sale of the Bundy Performance Plastics business in

1989. The sale of some lower margin businesses and a full six months contribution from Bundy, manufacturer of speci-alised small-diameter tubing,

MEAT TRADE Suppliers, the troubled sausage casing supplier with appealing property interests, is officially in play.

MTS recommended a reverse

takeover by Alpha Gamma, a property developer, but hinted it was open to a higher bid.

Mr Campbell Allan, an MTS

director, said: "This is the best offer we've seen, but the board will be flexible."

Alpha Gamma is offering to pay 338p for two of every five MTS shares. The hid values

MTS at about £8.8m, substantially below the £11.2m implied

W German associate

Unilever, the Anglo-Dutch

food, soap, cosmetics and

chemicals group, has become the sole owner of Homann, a

West German edible fats, sal-

ads and sauces group in which

lt has held a 50 per cent stake

heen disclosed but industry observers yesterday estimated a price tag of about £60m for

the 50 per cent stake held by the Homann family.

The Homann group, achieved sales of DM 529m (£165m) in 1988. Edible fats are

the largest part of its business

but substantial growth has come from pre-packed salads.

The price of the deal has not

Unilever buys out

By Lisa Wood

helped raise operating margins from 8.8 per cent to 10.3 per

However, Mr Christopher Lewinton, chairman, said that "just over half of the increase in profits came from organic growth" where margins were improved by price rises, greater production efficiency and "a number of other fac-

Of TI's main divisions, specialised engineering raised profits from £19.1m to £24.5m and specialised tubes, hoosted by acquisitions and stronger than expected European car mar-kets, rose from £16.4m to

The automotive division saw profits decline from 29m to £3.3m, hecause of the dis-

by its 430p suspension price in March. MTS, in turn, is offer-

ing to huy Alpha Gamma for £12.3m - only £300,000 of which is in cash, with the rest

m 3.54m MTS shares, compared

with the 2.6m currently in

against Twigrealm, a company created to bid for MTS. It is

controlled by Mr Freddy Hirsch, a South African butcher's supplier, and Mr Ste-

phan Wingate, a UK property

developer. No specific offer has yet been

P&P, the microcomputer dealer

and distributor, increased pre-

tax profits by 52 per cent from £3.3m to £5m in the six months to May 31. Turnover increased

over contribution from Per-

sonal Computers, the USM-

traded microcomputer distribu-

tor acquired for £1L46m in Feb-

ruary. The company, which had been making losses before its acquisition, had been

Professor Roland Smith,

chairman, said there had been

excellent growth in all sales

ssfully integrated, said

by 60 per cent to £80m. The result included a £400,000 profit and £8.8m turn-

The offer pits Alpha Gamma

MTS recommends £8.8m bid

However, Mr Lewinton said interest savings largely off-set the fall at the operating

With respect to the economic conditions in the US and UK, Mr Lewinton said that the group "had seen softening in a few business areas" but that few business areas" hut that this only really affected the automotive division in North

Mr Lewinton said TI was "essentially in the shape that we wanted to achieve when we started to restructure in 1986." However, the group would continue to seek acquisitions of a "bolt-on" nature, and also posably to create a new leg to tha

He said any new acquisition would have to be in line with the group's strategy and would

made by Twigrealm, hnt on Wednesday it acquired rights to 24.54 per cent of MTS, condi-

tional on a successful bid being

Mr Allan's wife, Mrs Saman-tha Allan, is the MTS chair-man and led a faction backed

by M&G Trust, a 16.5 per cent stake holder, to oust her father, Mr William Anstis.

children are believed to be

backing Twigrealm. Both suit-

ors say they would also

divisions. Sales to large corpo-rate clients continued to show

a significant increase, sup-ported hy its value added approach, he said. Distribution

divisions performed in line

with expectations.

Mr David Southworth, group managing director, said P&P

was seeking UK acquisitions and planning to expend in con-tinental Europe, to meet oppor-

tunities from suppliers such as Hewlett Packard, which was intending to move its distribu-

tion onto a pan-European

Fully diluted earnings increased by 12.5 per cent from

8.8p to 9.9p per share. The

Acquisitive P&P accelerates 52% to £5m

Llp (1p).

COMMENT

Mr Anstis and three of his

therefore he in specialised engineering, with high value-added and would hold a leading position in its mar-

Earnings per share increased from 18p to 22.2p and the interim dividand is raised by 21 per cent, from 4.75p to

O COMMENT

TI continues steadily along the course it charted in 1986, and course it charted in 1986, and the success of its specialist engineering strategy is shown clearly by the fact that profits for that year were less than yesterday's interims. Such rates of growth will obviously be hard to sustain, particularly in a climate of higher interest rates, and there are some doubts about the refrigerationdoubts about the refrigeration-

related business. But the group is now widely spread both geo-graphically and in terms of product. The autometive sec-tor, TI's largest single exposure, is down to 18 per cent of sales and the UK represents only 20 per cent of turnover by destination. With one-third of earnings coming from replace-ments, and a growing propor-tion of service-related business, margins are more rigid downwards then upwards and will benefit from the integration of acquisitions, notably in thermal technology. Analysts have increased forecasts to £102m for the year and expect £115m in 1990. Current trading and the strength of TI's manage-ment and balance sheet sug-gest the prospective rating of 10 is not generous.

Smith New Court's highest paid director gets £0.54m

By Richard Waters

A director of Smith New Court was paid £541,000 last year, nearly three times as much as the securities firm's highest paid director in 1987-88, even though the firm slid heavily

into loss.
A substantial part of the payment represented the deferred joining fee, or "golden hello", of a director taken on in an earlier year, said Mr Anthony Abrahams, head of UK market making. He declined to name the director develop MTS's meat husiness declined to as well as exploit its property. concerned.

interim dividend is raised to

It almost goes without saying that P&P has come a long way from its origins in 1980 as Pete and Pam Computers, started

hy social workers from their

south London home. But, per-haps more importantly, it has

also changed substantially

since the arrival of new man-agement in 1986. The bias of

the business towards distribu-

tion has been reversed, with

direct sales to hig corporate cli-ents now taking the lion's

share. As a result, P&P is

enjoying high margins hy

The next highest paid director received £180,000 £185,000 in the year to May 5, snggesting that the "golden hello" element

was in excess of £350,000.

Besides the "golden hello",
Smith New Court's accounts also show a payment of £220,000 to compensate a for-mer director, Mr John McNair, for loss of office.

The payments came in a year when Smith New Court reported a pre-tax loss of £12.6m, compared to a profit of

emphasising training, installa-tion and maintenance, which allows it to shrug off the price wars and sluggish demand that are bedeviling many other dia-

tributors. In view of this and

P&P's apparent success turning round Personal Computers,

P&P's rating of 11, assuming pre-tax profits of 210.5m for the year and a share price of 215p, up 1p, seems undemanding. Its

share price may, in the short term, continue to be dampened

by the overhang of sbares issued for Personal Computers

but longer-term investors will

be attracted by its growing rep-

ntation as the best managed

company in the sector.

was gained on a show of hands - with just four shareholders dissenting. Proxies were also overwelming in favour.

manufacturing company, for

Hanson bid for **Gold Fields** approved

By Nikki Telt

HANSON, HANSON, the UK conglomerate, yesterday won its own shareholders approval for its 23.5bn bid for Consolidated Gold Fields, the mining investment group. The bid, recommended by Gold Fields, is due to reach its first close

today.

At the extraordinary general At the extraordinary general meeting called to approve the deal, a couple of small shareholders with holdings in both companies expressed hopes that Hanson would not immediately embark on a break-up of the Gold Fields group. Hanson's reputation has been built on its ability to select and take over industrial groups, from which it has usually then sold on major subsidiaries.

In reply, Lord Hanson.

In reply, Lord Hanson, chairman, contended that the company has "no plans at this time" for Gold Fields if it gains control, and that the group has learnt over the years that it was unwise to make pronouncements about future intentions for companies it was seeking to acquire. Lord Hanson was also asked

Lord Hanson was also asked about one Press report which suggested that some institutions had been recent buyers of Gold Fields' shares and that there could be problems in reaching the 90 per cent acceptance level at which the minority shareholdings could be compulsorily securized.

minority shareholdings could be compulsorily acquired.

"As we all know," replied Lord Hanson, with heavy frony, "the Press are always very accurate. It is summer and has been hot — but I would have thought that Str James Goldsmith would have taken us off the front pages." More seriously, he added that Hanson had no evidence of any major "frustrating" buying.

The approval for the offer was gained on a show of hands

Hawker Siddeley

Hawker Siddeley has acquired Augier SA, a privately-owned French electrical transformer

Second interim loss at Midland Bank in three years

By David Barchard

MIDIAND BANK, the third largest clearing bank, plunged back into the red after making heavy provisions against loans to developing countries and with sharply reduced profits at Midiand Montagu, the corporate banking and global investment arm.

The pre-tax loss of £531m during the first six months of this year compared with a profit of £312m. The bank has incurred interim pre-tax losses for two of the last three years, though this year's loss was below the £665m reported for 1967.

The results were greeted with some despondency on the stock market where the shares fell on to close at 343p. Analysts were dismayed not only by the return of the debt problems but also by the poor per-formance of Midland Montagu. Sir Kit McMahon, group chairman, said that Midland had decided to bite the bullet by making provisions of £546m, taking its total cover against high-risk developing country debt from 33.5 per cent to 50.4

per cent. Total assets were £65.51bn at the end of the period, com-pered with £53.91bn a year ago. Total capital resources were

EA.92bm (£4.70bm).

Sir Kit said that he was extremely pleased by the UK banking operations which made a profit of £256m, up by 27 per cent (£201m). The figures reflected high growth in lending particularly to small lending particularly to small and medium-sized businesses. However profits from associated companies in UK banking activity were down from \$27m

to £7m and Forward Trust, the group's finance house, reported a reduced profit of £25m (£29m). Midland Montagu, the activi-

ties of which include treesury, securities, merchant banking, and international banking, contributed only £20m, against £110m.

Midland Montagu was hit by a number of factors. There was a £54m provision for bad debts, including at least two caused by fraud. The bank took what Sir Kit described as a wrong position on interest rates early in the year, assuming that they had peaked. Treasury and



Sir Kit McMahon: pleased by UK benking operations

money markets operations had fared much worse than a year

ago.

Another disappointment was operating expenses which during the last eighteen months Midland has been struggling to reduce. The bank's cost/hoome ratio now stands at 68.2 per cent compared with 66.7 per cent a year ago, though it has fallen from 69.6 per cent at the start of the year.

Domestic net interest marging fell from 5.1 per cent a

gins fell from 5.1 per cent a year ago and 4.8 per cent at the start of the year to 4.5 per cent, while the net interest margin for the group as a whole was 3.2 per cent (3.5 per cent). The domestic net interest spread in the first half was 2.5 per cent (3.5 per cent)and the group net interest spread was 1.6 per cent

(2.2 per cent.) The charge for had and doubtful debts in UK banking rose to £36m (£25m).

Losses per share were 49.60 (earnings 30.20), but the interim dividend was increased by 7.3 per cent to 7.3p (6.8p), which Sir Kit described as a reasonable increase, though it is well below the increases announced by the other large

The total equity to total assets ratio fell to 4.2 per cont (5.2 per cent), and its risk/as sets ratio under the Basic Agreement dropped from 11.3 per cent at the beginning of the year to 9.7 per cent. See Lex

July, 1989

This announcement appears as a matter of record only.

£70,000,000 8 YEAR TERM LOAN

Arranged By

SVENSKA HANDELSBANKEN, LONDON BRANCH

> Svenska Handelsbanken, London Branch

LEAD MANAGER

CO-LEAD MANAGERS

The Bank of Yokohama, Ltd. The Mitsui Bank, Limited The Hokkaido Takushoku Bank, Limited Lloyds Bank plc Standard Chartered Bank

PARTICIPANTS

The Hyakujushi Bank, Ltd. The Taiyo Kobe Bank, Limited The Kyowa Bank, Ltd. The Chuo Trust and Banking Company, Limited The Hiroshima Bank, Ltd. The Mitsubishi Bank, Limited

AGENT BANK

Svenska Handelsbanken, London Branch

JAPANESE YEN 15,000,000,000 **5 YEAR PRIVATE PLACING**

Arranged By SVENSKA INTERNATIONAL PLC

> LEAD MANAGED BY Japan Leasing Corporation

CO-LEAD MANAGED BY Kawasaki Enterprises Inc.

FUNDS PROVIDED BY

Japan Leasing Corporation Kawasaki Enterprises Inc. Ryoshin Leasing Corporation Fukutoku Leasing Company Limited Hokkaido Lease Co., Ltd. Inter-Lease Corporation Kyodo Leasing Co., Ltd. Nippon Shinpan Co., Ltd. Sefco Inc.

Japan Overseas Leasing Corporation Izumi Finance Company Limited Diamond Lease Company Ltd. Chushin Leasing Co., Ltd.

CURRENCY SWAP PROVIDED BY Svenska Handelsbanken, London Branch

We're not just one of Britain's biggest businesses

Few would be surprised to learn that distributing and supplying electricity is one of the largest enterprises in Britain.

Even the fact that our total annual turnover in England and Wales is larger than ICI worldwide* may not raise many eyebrows.

We are in fact separate and local electricity boards. And as such, we are 12 very large and successful British businesses.

What may come as rather more of a revelation, however, is the scale of each of the individual area board's operations.

For instance, even the smallest has a turnover of more than £500 million.

We're twelve of them

The key to our success is the commitment to our customers in the regions through the common responsibility to supply electricity.

And, in meeting this responsibility, we offer both our business and domestic customers advice on the most efficient use of energy.

Our annual reports, published this week, show continuing progress and improvements in standards of service and give details of our operations over the last year.

We've always been seen as one of Britain's most important businesses.

In fact, we're twelve of them.

The local Electricity businesses.

*As at 31.12.88



Foreign holdings in R-R and BAe can rise

By Philip Coggan

FOREIGN INVESTORS will be allowed to increase their share-holdings in Rolls-Royce and British Aerospace up to 29.5 per cent, the Department of Trade and Industry announced yesterdey.

Both companies welcomed the decision, which followed extensive discussions lasting over a year between the UK Government and the European

private client stockbroker jumped 12p to 67p yesterday after it was revealed that City

& Westminster Group, the for-

mer A&M, had acquired a 15 per cent stake for around £628,000.

The purchese solves one problem for Parrish since the

stake was formerly owned by

Spedley Holdings, an Austra-lian finance house now in the

hands of liquidators.

The uncertain future of the

stake was preventing Parrish

from bringing forward a recapi-talisation package, needed after the group incurred what

are believed to be substantial

The two privatised compa-nies will ask shareholders to approve the necessary changes to their articles of association, which at present restrict for-eign shareholdings to a maxi-mum of 15 per cent of the com-

BAe will hold an extraordinary general meeting on August 16 to seek approval, while Rolls-Royce will call an

Mr Andrew Greystoke, chairman and chief executive of

City and Westminster said that he could not rule out buying further shares but a full bid for

Parrish was "unlikely".

The board of Parrish indicated it was "comfortable" with City & Westminster as a shareholder.

City & Westminster reversed into A&M, a theatrical furniture rental company, last month and plans to build up a

financial services group.
"We've been looking for a broker" said Mr Greystoke "and
we think there is a lot of busi-

City & Westminster takes

15% stake in Parrish

SHARES IN Parrish, the losses in the year to

11. In the meantime, the 15 per cent limits will remain in The European Commission

had pressed for the removal of the limits altogether, claiming they contravened EC law on the equal treatment of all European investors. But the UK Government countered that a limit was justified under Article 223 of the Treaty of Rome, which allowe govern-

ness we could do together". Parrish eaid there was no

commitment to appoint Mr Greystoke to the board but Mr

Greystoke said it would be "nice" if he was appointed. Meanwhile, Mr Giles Pitman,

is to become chief executive of Summer International, the

training and education group which has been revamped by City & Westminster.

City & Westminster.

Mr Pitman, who is the great
grandson of the inventor of Pitman Shorthand, was formerly
finance director of Mr Andrew
Lloyd Webber's Really Useful
Group

Group. Shares in Summer rose 7p to

ments to take such measures as are necessary to protect national security – both companies have significant interests in the defence field. ests in the defence field.

However, the Government
has agreed to review the 29.5
per cent limit at the end of 1992
in the light of changes in the
structure of the European
defence industry.

The Government still retains
a special share in both compa-

nies. In the case of Rolls-Royce, this stipulates that the Govern-ment's approval must he sought for any material dis-posal of assets and requires that at least 75 per cent of Rolls-Rosco's directors includ-Rolls-Royce's directors, includ-ing the chairman and managing director, must be British. The Government insists that all BAe directors should be British and bas the right to appoint a director to the board.

Eagle unit's debt details

By Richard Tomkins and John Ridding

DETAILS emerged yesterday of the debts relating to Bagle Express, the parcels distribu-tion subsidiary of Eagle Trust, which was put into liquidation

The figures were given to a meeting of Eagle Express's creditors which took place behind closed doors at a hotel in Coventry.

A statement of Eagle

Exprese's financial affairs

showed that the company has assets estimated to realise \$248,285 and debts amounting to £33,6m. By far the biggest creditor is

the parent company Eagle Trust which has £25.45m out-standing in unsecured loans. Other Eagle subsidiaries are shown as unsecured creditors with debts totalling £1.42m.

The creditors confirmed Mr
Tony Supperstone and Mr
Peter Copp of accountants Stoy
Hayward as liquidators. Mr
Supperstone said: "Clearly we
will have to carry out a substantial investigation into the
company'e affairs." This could
take two years.

Eagle Trust meanwhile
sought to clarify the situation
concerning its holding in Owners Abroad, the tour operator.
It said that at the beginning
of May, when the company was

of May, when the company was under different management, it had "entered into off-market contracts to sell the greater part of its holding in OAG for deferred settlement. These contracts were never completed and . . . Eagle has now taken possession of the shares in Owners Abroad."

Questions still remain

Nikki Tait on the Panel's Low/Budgens report

were put to Mr Fletcher.
On April 17, Low confirmed that it wanted to proceed, and Mr Fletcher called in his advis-

ers, Kleinwort Benson. Mr Miller flew to London, saw his

CATALOGUE of mis-fortunes is how Mr James Miller, William Low's chief executive, sums up the group's unbappy abortive bid for Budgens, its fellow food retailer.

retailer.

That seems an understatement. The inquest by the Takeover Panel into Low's decision
not to proceed with its £138m
offer last May, was made public yesterday and S. G. Warburg, arguably the City's leading invectment bank, was
given full responsibility for a
breach of rule 3 of the Takeover Code.

This is the principle, said by

This is the minciple, said by the Panel in its report to be of great importance, which requires a hidder only to amounce an offer after "the most careful and responsible consideration"

Coming soon after the Blue Arrow/County NatWest report, the Panel's conclusions hardly enhance the reputation of the merchant banking community. And though the Panel report is detailed Budgens ahareholders may still have some unanswered questions.

As there remains some dis-pute on the details the Panel's approach has been to use the Low/Warburg account in reaching its conclusions. It took the view that the resolu-tion of euch disagreements would not have assisted in determining the central issue",

which was whether Low and its advisers proceeded with due diligence, and that this was therefore the fairer approach. With that in mind, the report makes clear the proposed deal hetween Low and Budgens started with two meetings between Mr Miller and Mr John Fletcher, his counterpart at Budgens, during March and a third one in April. Low constructed a computer model to produce cash flow and profit and loss accounts for its target through to 1991. In the second meeting, Mr Miller said he informed Mr Fletcher of the end-1988 borrowings level used in the model, and Mr Fletcher replied with a higher figure, who also indicated the level of capital expenditure envisaged for the current year. The principal conclusions from the model were put to Mr Fletcher. May 12, the deal was abruptly aborted, when Low said that it could not recommend it to its own shareholders. The decision came as the result of working capital statements produced during the process of preparing the offer document, which gave Low further information about

tis target.

The Panel states: "The essential issue was whether Low and Warburg should, before deciding to make an offer, have sought more information." In particular it should have asked for clarification of future bor-rowing and the likely interest charge for 1989/90, plus an up-to-date balance sheet and a

up-to-date balance abset and a 1989/90 budget.
Its conclusions are relatively simple and the Panei lays the hlame at Warburg's rathor than Low's door, "We do not think that Low itself can be criticised for this breach (of principle 3)...we consider the responsibility lies with S. G. Warburg."

Warburg." Warburg."
However despite the 12-page
Panel judgement some unanswered questions still remain.
One of the areas not discussed
is who first had the idea for the
link-up, which had been a subject of speculation in the past
because of the two ground size Miller flew to London, saw his hrokers and a negotiating meeting between the two sides was scheduled for April 19.

Mr Robin Binks, Low's adviser at Warburg, told the Panet that he asked for a Budgens balance sheet on April 18, and the request was repeated on April 19. However, no balance sheet was provided, and neither Low nor Warhurg pressed for an explanation. Low/Warburg also never

ens may have been behind this.

Mr Fletcher declined to discuss
this saying that he did not
know whose notion it was first.

Low/Warburg also never requested a formal profit fore-cast, a matter which Budgens' advisers said yesterday sur-prised them at the time. On the other hand, there seems agreement that on April 19 Mr Fletcher did provide an estimate of anticipated profit-

estimate of anticipated print-ability at Budgens, in addition to a figure for its then-current horrowings and the expected level of debt at the financial year-end (April 30). The infor-mation, says the Panel, was not fed into the Low model. The deal, in the form of a share exchange with an under-written cash alternative, was agreed in the early hours and released to the world on April 20. Although not referred to in the Panel report, the sub-un-derwriting then flopped, leav-ing the potentially embarrass-ing possibility that Warburg, as underwriter, could end up with a 25 per cent stake in

More broking clout was brought in, and a second attempt at sub-underwriting proved successful. Then, on because of the two groups' size and geographical.

Mr Miller suggested yester-day that a third party mer-chant bank first sounded Low out, and suspected that Budg-

There is also some mystery as to why the deal, since it was friendly, was completed relatively quickly if there were unanswered questions. The report auggests that there were fears in the Low camp that the Budgens price was already moving, but a suspension of the shares could surely have

dealt with that.
And there has been some speculation about what role, if any, the isosceles Gateway bat-tie played in the background. Mr Fletcher had mado a bid for Gateway a year earlier and was a friend of Mr David Smith, Isosceles' chief execu-tive, while Low's adviser was also handling the Isosceles bid, launched on April 17. Warburg, however, dismissed any con-nection yesterday,

As for the repercussions there was talk yesterday of lawyers being consulted. The unhappy saga, it seems, may not yet be finally laid to rest.

British Airways' pre-tax profits rise 18.5 per cent to £96 million in the three months to 30 June, 1989.

Revenues increase to £1,173 million, up 15.1 per cent. Earnings strengthen to 8.6 pence a share, from 7.4 pence a share.

Passenger traffic grows 9 per cent, and cargo up 8 per cent.

Super Shuttle relaunch announced.

Three new Rolls-Royce-powered Boeing 747-400s now in commercial service.

Plans to acquire 20 Canadair Regional Jets announced.

BRITISH AIRWAYS

AJ Worthington £1.98m purchase as profits slide

By John Ridding

(Holdings), the textile manufacturer and importer, announced a sharp fall in profits and its first acquisition since a capital injection in

The company is to buy Stein-berger Holdings, supplier of buttons and trimmings to the clothing industry, for a total

£1.98m in cash. In 1988 Steinberger reported pre-tax profits of £364,000 on frei, who became deputy chair-man. He said at the time that

Worthington's own pre-tax profits for the year to March 30 sales down from £4.28m to £3.85m. Earnings per share slipped from 4.8p to 2.7p. The

Inti Communication in talks

By Edward Suseman

International Communication & Data, a restructured Third Market company formerly known as Publishing Holdings. is in negotiations which could lead to the sale of a "substan-tial" part of the business.

exines. ICD blamed these for its downturn in the last quar-ter of 1987. It finished the

tax profits had dropped to t year it sold its publish-£20,000 (£225,000) in the six ing interests, including its gained 20 to 180 yesterd

| BOARD MEETINGS | NIPPON N |
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| The following companies have notified detected to board meetings to the Stock Exchange, Such meetings are sessably held for the purpose of considering dividends. Official indications are not available as to whether the dividends are inserting or finals and the succitivations are inserting or finals and the succitivations about below are based mainly on last year's timestables. | PACKERS CDRs The undersigned announ 7th August 1989 at Kan Amsterdam and Kree Loa.unbourganise In diversion. Id (accompan- dwift) of the CDRs Packers inc., will be pr 7.28 per CDR, repe. It USS 72.28 per CDR, e.g. |
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UK COMPANY NEWS

Robert Maxwell falls silent over sale of De La Rue subsidiary Shareholders vote to sell Crosfield

MR ROBERT MAXWELL yesterday aurprised De La Rue hy apparently dropping his attempt to block the benknote printer's sale of its Crosfield Electronics subsidiary. De La Rue shareholders

voted in favour of the £235m sale to Du Pont, the US chemicals group, and Fuji Photo of Japan, after Mr Maxwell, previously a vociferous opponent of the deal, fell silent. The pub-lisher was said to be on his

Attention is now likely to focus on the future of De La Rue. Shares in the group fell 9p to 319p yesterday and once the Crosfield sale is complete some observers believe the rest of De La Rne could be vulnerable to a hid from competi-

Mr Maxwell holds 15 per cent of De La Rue in private interests. He bought the shares at around 420p in 1987 and controls a further 6.5 per cent through Scitex, an Israelibased company which had indicated it might be prepared to outbid Du Pont/Fuji for Crosfield.

field. Scitex, 27 per cent of which is owned by Mr Maxwell's Mirror Group Newspapers, bought its stake at about 385p two

weeks ago.

Both holdings could now be sold but only at a total loss of some £27m



John White, De La Rue'a finance director (left), and Peter Orchard, chairman: very happy with the outcome

chairman, invited questions from shareholders nobody

In the ensuing poll, some 45 per cent of De La Rue's share capital was voted in favour of the resolution, including just under 5 per cent belonging to Société Financière de Genève

(Sofigen).
About 24 per cent of the equity — including the Max-

The publisher had said he would press for adjournment of yesterday's meeting, but when Mr Peter Orchard, De La Rue's well holdings — was cast against the deal.

Sofigen — the investment arm of Mr Carlo De Benedetti. arm of Mr Carlo De Benedetti.

the Italian industrialist and financier — expressed doubts ahout the Crosfield deal on Monday and said it was likely to vote for an arm of Mr Maxwell is going to do."

Monday and said it was likely to vote for an adjournment of yesterday's meeting.
But Mr Tony Kirk, Sofigen's managing director who was at the meeting, said yesterday that the group was taken comtant the group was taken comtant for a maximum contant to vote for an autour and several property for a maximum contant to vote for an autour property for a maximum contant to vote for an autour property for a maximum contant to vote for an autour property for a maximum contant to vote for an autour property for a maximum contant to vote for an autour property for a maximum contant to vote for an autour property for a maximum contant to vote for an autour property for a maximum contant to vote for an autour property for a maximum contant to vote for an autour property for a maximum contant to vote for an autour property for a maximum contant to vote for an autour property for a maximum contant to vote for an autour property for a maximum contant to vote for an autour property for a maximum contant to vote for an autour property for a maximum contant to vote for an autour property for a maximum contant to vote for an autour property for a maximum contant to vote for an autour property for a maximum contant to vote for an autour property for a maximum contant to vote for an autour property for a maximum contant to vote for a maximum contant to vo that the group was taken com-pletely hy surprise by the Max-well camp's decision not to

press for adjournment.

Mr Kirk added: "We will all have to take our calculators out now and work out what [De La Rue] is really worth." Scitex would not say yesterday what its next move might be or why it had dropped any attempt to adjourn the share-holder meeting. A company statement said Scitex "would now consider what further action, if any, it could take to pursue its interest in Crossfield, both in its own interests and in the interests of all De La Rue shareholders."

Both Mr Maxwell and Scitex have said they will not bid for De La Rue this year. De La Rue'a finance director, Mr John White, said yesterday. "Obviously we are very happy with tha ontcome and I am also very pleased at the level of support we have had from our

shareholders, both private and institutional."

Dolphin purchase

company, for a maximum consideration of £2.6m.

Panel rules on Boots/Ward White bid

By Philip Coggan

THE TAKEOVER Panel yesterday allowed a Ward White appeal on a complex issue governing the treatment of convertible preference shares in the Boots bid for the retailer, best known for its Halfords and Payless chains.

Around 40 per cent of Ward White's fully diluted equity is in the form of convertible pref-erence shares and from today, shareholders are entitled to lodge notice of conversion into

ordinary shares.
In theory, Boots could have received acceptances from convertible preference shareholders, lodged conversion offer for voting equity share capital . . . that the offer will not be declared unconditional as to acceptances unless the

get for declaring the bid uncon-The executive of the Panel

had ruled that Boots could include such shares in its

acceptance total.

But Ward White appealed, arguing that the ruling would allow Boots' offer to go unconditional well hefore the closing date, even if Boots had received acceptances from only 37 per cent of each class of

The decision revolved around rule 10 of the Takeover Code which states that "It must be a condition of any

offeror has acquired or agreed to acquire . . . shares carrying over 50 per cent of the voting rights attributable to the equity share capital alone and the equity share capital and the non-equity share capital combined".

Until January 1988, hidders had been required to take account of "potential equity" which created the possibility that hidders would be expected to ohtain shares which were, io practice, not going to be issued. Note 2 to Rule 10 of the Code was then amended to

avoid that problem. However, the amended Note 2 was still far from clear as to the treatment of convertible

The issue was complicated by the fact that the conversion period is due to come to an end oo September 1, the day hefore the last close of the

The Panel has decided that Boots will not be allowed to count the convertibles until

Until midnight on that day. Boots can only declare its offer unconditional if it receives acceptances in respect of 50 per cent of its existing ordinary

shares.

However, on the last day of the bid - September 2 - Boots can include those convertible preference shares where conversion notices have been

ECC raising \$400m in US preference issue

By Clare Pearson

ENGLISH CHINA Clays, the industrial minerals and convoling rights and are not dilustruction group, is following in the footsteps of BET and Rank Organisation to become the third UK company to announce an issue of preference shares in the US domestic market.

The issue of up to \$400m (£242m) of dollar-denominated preference shares - of which \$200m is to be launched ini-tially - requires, as a new class of shares, the approval of ECC's shareholders. But the

tive.
The issue is designed to strengthen ECC's balance sheet by reducing gearing, the company said it would be down to about 10-15 per cent by the year-end it also fits in with ECC's policy of financing assets in the US, where about 10 per cent of its operatiog profits are generated, in dol-

lars. The dividend payments are

been, ECC felt this was out-weighed by the other advanby an auction process, determined by prevailing US interest rates. But ECC has the option to set the payments for longer periods if market conditions are favourable. tages.
The proceeds will initially be

used to repay some existing deht, including some \$160m outstanding under its existing US commercial paper pro-Mr Bob Carlton-Porter, gramme. finance director, said while the cost of servicing the issue was

BET became the first UK industrial company to announce it was tapping the \$20bn US market for such secucurrently about one percentage point greater, in after-tax terms, than a US commercial rities in March of this paper programme would bave

Kentish homes receivers given the green light

GLOBAL GOVERNMENT PLUS FUND LIMITED

INTERNATIONAL DEPOSITARY RECEIPTS ISSUED BY
MORGAN GUARANEY TRUST COMPANY OF NEW YORK BRUSSELS OFFICE AND REPRESENTING 100 COMMON SHARES

By Clare Pearson

INSTITUTIONS THAT provided loans for two big east London residential developments by Kentish Property Group, the beleaguered builder, have given the go ahead to the receivers to continue constructing the homes

The decisions to support fur-ther huilding provides hope that the 250 huyers, who put down deposits will be able to move in to their homes. The developments are at Burrell's Wharf on the Isle of Dogs and Bow Quarter in the

London EC3P SAH

International Division

Amhem, August 4, 1989

A summary of the results will be presented

Akzo N.V.

less on the project.
It was not clear how much further building at the site Halifax envisaged supporting.
Mr Tony Richmond, the receiver, said Kentish had already drawn on Halifax's 1928 heap facility in full

£26m loan facility in full. He said about a further £25m East End.
Halifax Building Society, which funded Burrell's Wharf, and the syndicate of banks headed by Security Pacific National-Bank which financed
He said about a further £25m would have been required to complete the development. On Monday, Kentish failed to persuade the High Court to appoint an administrator to run its affairs.

TI GROUP

Half year to 30 June, 1989

Pre-tax **Profit** Earnings Per Share

22.2p

£49.2M

UP 23%

Interim Dividend

5.75p

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The contents of this advertisement, for which the directors of TI Group pic are solely responsible, have been approved for the purposes of Section 57 of The Financial Services Act 1986 by Price Waterhouse as authorised persons.

Tit = slide

P. CHAN

Harrisons

adhesives

purchase

By Clare Pearson

& Crosfield

HARRISONS & Crosfield is paying \$50m (£12.12m) to buy Hardman Incorporated and Hardman Industries, a New Jersey-based manufacturer of industrial adhesives, elastomers and sealants.

The acquisition is part of a policy of H&C, where the other interests are in plantations, timber and foods, to further build up its flarence chemicals operations which now com-

Morgan Grenfell's first class performance.

| Gain in value | Sector quartile |
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| 42.7% | 1st |
| 91.1% | 1st |
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91.1%
55.7% |

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UK COMPANY NEWS

Lovell's £20m building materials move

THE INVESTOR group which last February acquired a 76.6 per cent stake in G F Lovell, the confectionery manufacturer, yesterday made its first major move with the acquisition of four building materials.

major move with the acquisition of four building materials
companies for £20m.

The porchases, financed
with a 19-for-six rights issue,
will involve Lovell stepping
down from the main market to
the USM, since one of the companies heing purchased has only a three year track record. Three former Tarmac execu-tives, Mr Peter Woodman, Mr Robert Taylor and Mr Andrew Mackenzie led the investor group, backed by the merchant bank Lazard Brothers and Mr Robert Morton, the chairman and chief executive of Vistec. The group acquired the 76.6 per cent stake at 110p per share and Lovell shares have since leapt to 530p, at which level they were suspended yes-

By John Thornhill

the group but disappointed at the effects of the interest rates.

The contract hire fleet, which contributes the majority

of profits, was expanded from

48,500 to 52,100 vehicles during

Mr Woodman, executive chairman, said yesterday that the group intended to expand, via acquisition, in niche areas of the building materials sec-

The companies currently being acquired include two which are part of the private interests of the directors and one which was a Tarmac sub-

Transplastix manufacturers glazing systems and rooflights, largely for industrial and com-mercial projects. It made oper-ating profits of £1m on turn-over of £10.35m in the year to March 31 1989. Lovell is paying an initial 55.7m, and assuming obligations of £2.4m, with further potential deferred consideration of up to £4.1m.

Natural Stone Products, cur-rently a division of Tarmac, quarries, processes and dresses stone, largely for the external and internal cladding of buildings. It made operating profits

from the recent public sector transport troubles: "The

strikes are manna from heaven

for us," Mr Cowie said. The

division also runs a coachfleet



of £498,000 on turnover of £3.05m in 1988 and Lovell is paying £3.8n Triad Timber Components manufactures timber trusses

of £313,000 on turnover of £2.6m in 1988. The consideration is £2.3m. Insuwall, being purchased for £1.7m, provides insulation services to the housing and construction market; it made operating profits of 5313,000 on turnover of £2.13m

in 1988.

Under the rights issue, the company will raise £10.7m via the issue of 2.99m shares at 400p each. The investor group will not be taking up any of its rights to the shares, which will be placed in the market.

Mr Woodman said there were no current plans to sell the group's confectionery interests, based in Gwent, and the company was working to make the husinesses profitable. A final dividend of 2p per share for the year ending April I has been proposed and the board expects to recommend an interim dividend of 2p and a final dividend of 5p for the year to March 31 1990. and achieved operating profits year to March 31 1990.

build up its Harcrus chemicals operations which now comprise its higgest division.

Last year. Hardman reported operating income of \$1.4m on sales of \$15m. Mr George Paul, H&C chief executive, said it would extend the company's organic chemicals activities to the US, where it already had a strong organic manufacturing base. There would be scope for dual transfer of technology between Hardman and the existing bosinesses. T Cowie static as high interest rates bite

operations increased their contribution to operating profits by a third to 250.2m, within a group total of 2128.86 As part of last year's sweep-ing reorganisation of the

In 1988, H&C's chemicals

group, they were all brought under the Harcros Chemicals umbrella.

Planning Research

Planning Research & Systems, the information services group which joined the USM last December, announced a jump in pre-tax profits from £114,700 to £619,500 for the year to March 31. Turnover was 22.72m against \$1.59m for the previous 15 months. A final 2.5p dividend is pro-posed. Earnings were 10.4p (2.7p) per share.

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|-----------------------|--|---|---|---|----|
| lable on our UK | HIGH INTEREST rates | the period, and topped £100m | of 53 vehicles. The interim dividend is | 23.8m in profits. But all is not
despair, for in the longer term | 1 |
| ty Index Tracker | cramped growth at T Cowie,
the Sunderland-based motor | In the first six months of the | unchanged at 1.2p payable | current interest rates could | i |
| į į | dealer and finance group, as | year, Cowie's vehicle sales | from earnings per share only
slightly ahead at 6.77p | even work to Cowie's advan-
tage: three year hire contracts | |
| 202465 | pre-tax profits advanced only
marginally from £10.56m to | increased by nearly 29 per cent
compared with a national | (6.59p). | written in today's economic cli-
mate will be all the more | 1 |
| 282465 | £10.86m for the six months to | increase of 8 per cent. The company said sales to corpo- | • COMMENT | attractive when interest rates | Ġ |
| | Turnover rose 27 per cent to | rate customers were holding | Purely in operating terms, this was a strong performance from | start to fall the company estimates that on an annual- | Ι. |
| j | £285.69m (£224.88m) and operat-
ing profits grew 48 per cent to | up well but it expected retail sales to dip in the second half. | Cowie. The contract hire | ised basis each one per cent |] |
| | £28.87m (£19.48m), but interest
charges more than doubled at | The bus and coach operations contributed £250,000 | operations showed good growth; the motor retail divi- | cut could add £2.5m to the bot-
tom line. Cowie continues to | 1 |
| | £18m (£8.9m) checked growth | to trading profits compared | sion forged ahead encourag-
ingly; the hus and coach | play tricks with its tax and the
estimated 20 per cent charge | |
| | at the taxable level. Mr Tom Cowie, chairman, | with £75,000 in the comparable period. | operations contributed use- | for the year will help to protect | į |
| | said he was delighted by | Cowie runs 74 buses on six | fully; and property profits chipped in too. But much to Mr | earnings. Nevertheless, pre-tax
profit forecasts just ahead at | Ì |
| and is not marranteed | organic growth achieved hy
the group but disappointed at | routes in the London Regional
Transport area and benefited | Cowle's frustration the num- | \$26m and a prospective p/e of | 3 |
| | | | | | |

6MONTHS 6 MONTHS YEAR **GROUP RESULTS ENDED** ENDED ENDED 30 JUNE 1988 **30 JUNE 1989** 31 DEC 1988 £M PROFIT BEFORE EXCEPTIONAL CHARGE FOR LDC PROVISIONS AND TAXATION 315 313 693 **EXCEPTIONAL CHARGE FOR LDC PROVISIONS** (846)420 (LOSS)/PROFIT AFTER TAXATION 182 (LOSS)/PROFIT **ATTRIBUTABLE TO** MEMBERS OF MIDLAND BANK PIC (383)412 (LOSS)/EARNINGS PER SHARE (49.6)p 23.4p* 53.6p1 DIVIDEND PER SHARE 7.3p 6.8p* 16.4p ADJUSTED FOR 1989 SCRIP ISSUE

Our interim results for the period ended 30th June 1989

- Midland Group made a profit of £315 million in the first six months of 1989 before exceptional provisions and tax. The exceptional charge of £846 million against loans to developing countries (LDCs) results in a pre-tax loss of £531 million.
- Domestic banking business contributed £256 million, against £201 million, an increase of 27%. Forward Trust Group made £25 million compared with £29 million last year.
- Midland Montagu produced £20 million, compared with £110 million, a downturn largely caused by a deterioration in the profitability of the capital and money market activities.
- Exceptional provisions against loans to LDCs increased from 22.6% to 50.4%. The group's capital ratio is now 9.7%, which compares with the internationally agreed minimum of 8%.

"I am glad to report an outstanding performance from UK Banking, within which there was particularly good progress in corporate banking, where we continue to increase our market share.

In Midland Montagu, good progress overall in our client-based business areas was overshadowed by the disappointing performance of the money market and securities operations.

The announcement of the Brady plan gave rise to an immediate worsening of the third world debt problem. However, the increased level of provisions will give us greater flexibility in working down our exposures and Our capital ratios remain strong.

We have the resources to keep our strategy on course, and to maintain our high level of investment, both revenue and capital, in people, systems and



Wit hyhalon

Sir Kit McMabon, Chairman

MIDLAND GROUP

A full copy of the press release is available from the Secretary, Midland Bank plc, Head Office, Poultry, London EC2P 2BX. Telephone: 01-260 8184

Abbey rises in declining market

bers simply did not add up at the pre-tax level. In the short term, excessively high interest rates have crippled Cowie,

"robbing" it of an estimated

ABBEY, the Dublin-based housebuilder and plant hire company, lifted pre-tax profits by just 9 per cent to IE18.74m (£16.29m) against £17.19m in the year to April 30. Turnover advanced 21 per cent from £101.12m to £122.12m.

Directors said the result was ohtained in a deteriorating market brought about by fre-quent interest rate rises. In response to the changing conditions they disposed of certain lands which yielded profits of £6.8m. Together with a revaluation of remaining properties the net contribution to profits was £1.74m. The money is being reinvested in huilding land following a significant fall

in land prices.

A final dividend of 4.5p (3.8p) is recommended, making a 6.7p (6p) total. Earnings worked through at \$2.66p (30.77p) per

Crown Eyeglass sees its profits halved

Crown Eyeglass, the Blackhurn-based spectacle manufacturer and retailer quoted on the Third Market, reported profits more than halved in the 12 months to

On turnover shead to £2.5m (£1.73m), the pre-tax figure fell from £226,000 to just £111,000. At the same stage last year, analysts were forecasting prof-

March 31 1989.

The outcome was adversely affected by a sharp increase in administrative expenses to 2628,000 (£380,000) and in distri-hation costs to £408,000 (£218,000). Earnings per 5p share fell to 5.2p (9.8p). Reserves of £267m

about 8 do not look too tempt-

ing in the current economic cli-mate. When interest rates start

falling, however, the story will

// W > DIGIT > 1

its around the £325,000 level.

be quite different.

at Kenmare venture

Kenmare Resources, the USM-quoted Irish group, said yesterday that a consultant's report on its joint venture min-eral sands project in Mozambi-que showed proven reserves worth £267m at current prices and enough to give a mine life of nine and a half years.

Metallurgical tests were near completion and a full feasibil-ity study on the project, in which Kenmare's partner is the state-owned Geoloski Zavod of Yugoslavia, is expec-ted at the end of September. Preliminary results for the year to April 30 showed an

increased pre-tax loss of I£292,782 (£255,300), against I£183,353 last time. The loss per share was 0.76p (0.58p).

Swanyard Studios drops to £87,000

Profits of Swanyard Studios fell from £254,671 to £87,264 pre-tax for 1988 after taking account of an exceptional provision of £86,784. Since its debut on the Third

Market in January 1988, Swan-yard has been transformed from a business selling studio time in London to an internationally co-ordinated music, film and management com-

Dany In the current year to date it

has raised £3.56m via a one for one rights issue, concluded the purchase of freshold premises in New York, formed three new subsidiaries and purchased further freehold proper-

chased further freehold proper-ties in London's Swan Yard.
Turnover totalled £784.718
(£910.983) and earnings emerged at 0.06p (0.22p) per 1p share. The directors intend to unveil interim figures for 1989 in September.

Dull performance from Radiant Metal

Radiant Metal Finishing reported a slight sethack in profits for the year to Fehruary 28 last. At the pre-tax level they fell from £252,518 to £232,906.

Turnover for the year was £1.89m (£2.44m).
After tax of £84,513 (£93,487)
net earnings per 12%p ordinary cama out at 10.93p (11.69p). The dividend is maintained at a total of 3p with a proposed 2p final

BCE incurs losses and omits final

The fortunes of BCE Holdines the USM-quoted manufacturer and distributor of snooker and pool equipment, have taken a further tumble with a pre-tax loss of £355,000 for the year to March 31. The figures, struck after taking account of a £1.23m rise in administration costs to £5.28m, compared with profits of £543,000 last time and £1.1m for 1986-87.
With a loss per share of 0.8p

(1.1p earnings), the final divi-dend is omitted (0.6p) leaving the total at 0.4p (1p).

| (5/37) | TRANS-NATAI |
|--------|--|
| | TRANS-NATAL Coal Corporation Limited |
| | the Resultify of South Africa Production his Christopens |

ONTHS ENDED 30 JUNE 1989 DIVIDEND

| | Audi | and . |
|---|-----------------------|----------------------|
| INCOME STATEMENT
(R. millors) | 30 June
1909 | 30 Jun
198 |
| Sales revenue* | 1671.9
734.2 | 874.
215. |
| Operating incorps | 137.1
15.7
50.0 | 59.1
16.4
41.3 |
| Income before totation | 71.4
11.4
(0.3) | 1.1
12.1
(7.1 |
| Income/(lest) after treation
Extraordistry income | 40.3
23.9 | (3.2 |
| Actributable Income/(loss) Deberary incorest. Dividends to shareholders. | 94.2
9.9
26.9 | (27.1 |
| Retained income/(less) for year
Unappropriated income | \$3.4
10.7 | (37.4
128.5 |
| Discribatable reserves | 144.1 | 90.7 |
| Average capital units in issue (millions)
Earnings per capital unit (cents)
Dividends per share (cents) | 78,9
74,4
30,8 | 78.4
(4.7 |
| Sales corriege (rollions) | 30.2 | 33.1 |

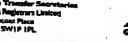
Republic of South Africa and is payable of shareholders registered in the books of the company at the close of business on 18 August 1989. The register of members will be closed from 19 August 1989 to 2 September 1989, both days inclusive. Payment will be made by the transfer secretaries mentioned below, on 8 September 1989. Payments from the United Kingdom office will be made in United Kingdom currency at the rate of exchange ruling on 28 August 1989 or the first day thereafter on which a rate of exchange is obtainable Non-resident shareholders' tox of 15 per cent will be deducted from dividends payable

Notice is hereby given that a final dividend No. 51 of 20 cents (30 cents for the year) per share has

been declared payable to ordinary shareholders in respect of the financial year ended 30 June 1989. The dividend is declared in the currency of the Republic of South Africa and is psyable to

holders whose registered addre outside the Republic of South Africa.

The full conditions of payment may be inspected at or obtained from the London office of the





TECHNOLOGY

Crosfield usic lovers in the US and Europe have been waiting digital audio tape (Dat), which has promised to revolutionise the home and car audio mar-ket. But when Dat tapes and recorders flood high street shops next year, it is doubtful whether they will send consumers diving for their credit

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Dat is the next generation of audio tape, which gives excellent sound reproduction because the music is recorded digitally. But high quality is matched by high price. When limited numbers of the

machines arrived on the Japanese market two years ago, they cost about £1,000 each Even with mass production, the machines - about the size of a personal stereo - are unlikely to drop below £500. That is because the Dat recording machine incorporates e rotating head similar to that of a video recorder - so the price is more likely to track that of video recorders than cassette players.

The specially developed miniature cassettes are also costly to produce as the whole surface of the high quality tape has to be covered with metal particles, all flowing in the same direction, to ensure a per-

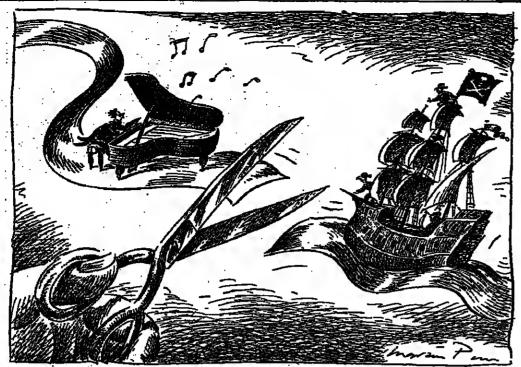
fect recording.

Det was introduced two years ago in Jepan, France and Germany, but only about 70,000 Dat players have been sold. Manufacturers, such as Sony, describe the take-up as disappointing. But it is difficult to gauge future popularity from those sales because of the recording industry's resolute refusal up to now to issue music in the Dat format.

There are also fears that Dat has missed its market opportumty, and that newer technologies have captured the consumers' imagination.

The music industry boycotted the technology because it feared that Dat would mean an explosive growth in pirate recordings by allowing endless near-perfect copies to be made. So far Det tapes have been used largely for copying existing media - records, or com-pact discs (CDs) - bnt only small quantities of prerecorded

Central to the recording industry's case against Dat is the complaint that pirating of music is already rife, depriving both the music companies and musicians of income. In European Community countries, for example, 465m units of prerecorded music are sold each year - that is, records, prere-



Why the pirates will strike a wrong note

Della Bradshaw considers a milestone agreement on the marketing of digital audio tape

similar restrictive technique

for preventing the copying of music on to recordable CDs.

Digital technology, which sparked the original dispute over Dat, has also provided the solution. Last week's meeting

agreed to incorporate a piece of

digital coding into recordings

which will prevent illicit copy-

ing. The idea was pioneered by

Philips. Other information as well as music is stored on digi-

tal recordings - where each track begins, for example.

Alongside that will now be encoded a message saying the

- according to the Inter- the market in the early 1990s. national Federation of Phonogram and Videogram Produc-ers (IFPI). But 380m blank cassette tapes are also sold and used largely for rerecord-

ing. Last week, after years of wrangling, the way to wide-spread availability of Dat players and tapes was finally cleared when the consumer electronics manufacturers and recording companies agreed a technical procedure which will prevent unauthorised copying. The accord is a milestone in relationships between the two sides which fought bitterly in the past over the introduction of endio cassettes and CDs. The new mood is attributable to two factors:

• The growing common shareholder interests of the two groups: Sony of Japan and Philips of the Netherlands now own two of the world's biggest music companies, CBS Records and Polygram.

• The recording companies' fear of emerging technologies such as erasable and record-able CDs, which should be on

recording is digital and should not be copied. So, when e would be pirate tries to copy The agreement last week is seen as e precedent for the future of all recordable digital from one Dat to another, the media as much as for Dat. Recordable CDs, for example, could pose all the same piratmachine will refuse to obey.

This sub-code, called the serial copy management system, will also be included in prerecorded CDe. That will mean that music from a CD ing problems as Dat. Like Dat, they are digital, which means that for every sound element that is copied there is only one "right answer", so the music is copied exactly every time. can be re-recorded on to a Dat, but the spoiling code will be copied too. So if the listener tries to copy from that Dat to another, the code will prevent Eech time an old-technology analogue tape is copied, the sound quality deteriorates. Now talks are to begin on a

The industry agreement will allow the first copying - from the CD to the Dat - because it is deemed acceptable for consumers to hay e compact disc for use in the home and then copy the music on to e Dat to enjoy in the car.

Even though an egreement has now been reached ou Dat, it is feared the years of wrangling may have damaged it in the marketplace. Three years ago it seemed an ettractive technology. Today, with the prospect of recordable compact discs in the early 1990s, it looks less attractive.

Bnt the continued talks between the two sides are an acknowledgement by the recording industry that the future will be digital. Analysts, such as BIS MacKintosh, pre-dict the market for digital players and media - CDs and Dats - will really take off in 1990. By 1995, BIS predicts, 45 per cent of music players in Japan, 28 per cent in the US and 12 per cent in Europe, will be digi-tal, and 125m digital discs or cassettes will be sold world-

But will the future be for recordable CDs or Dats? The long-awaited CD recorder-players could be hit by the same price barrier as Dat machines. On existing compact disc players the most expensive compo nent is the laser reader: with machines that record as well as play, two will be needed.

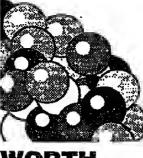
Proponents of Dat argue that although CDs heve excellent music reproduction when the player is static, when they are nsed in cars or as porteble units the quality deteriorates. Dat, on the other hand, still incorporates all the inherent problems of eudio tape: it can stretch and has to be wound through to find the correct

Mark Knight of the IFPI believes there will be e role for both. "The Dat will supplant the analogue tape just as the compect disc is supplanting vinyl records," he says. But he acknowledges that there is a substantial consumer barrier to overcome with Dats which the CD has already broken.

The mannfecturers also accept that it is likely to be five years before Dat really takes off, and even then it could be restricted by price to the professional music listener.

It could still be some time before Dat players are widely evailable, especially in the UK. Because of the copyright laws in Britain, lt is illegal (although in practice widespread) for consumers to make unauthorised duplicates of copyright material. For that reason Jepanese Det player manufacturers, such es Fuitsu, NEC, Sanyo, Sharp, Sony and Toshiba, are initially focusing on European coun-tries with less restrictive laws such as West Germany and

Other manufacturers, such as Philips, are waiting until there is a substantial body of recorded Dat material on the market. They will not have Dat players available until 1990, so they are unlikely to be the rich person's stocking-filler this Christmas.



WORTH WATCHING

Edited by **Della Bradshaw**

Mine Host keeps ahead

BEER drinkars will be the first to recognise the benefits of a machine which produces nitrogen on pub sites. Mixed with carbon dloxide for pulling a pint, nitrogen has long been used by companies auch as Guinness to giva bear a consistent heed.

The nitrogen machine, from the UK gas company Calor, extracts the nitrogen from the air - much easier than the traditional methods of delivering the gas to sites In tanks in Houtd or compressed form.

The machine sucke in air end tries to push it through e fibre membrana made of the polymer, Polysulfone. The membrana, devaloped by the US chemicals company, Monsanto, ellows the oxygen to go through, but holds back

the nitrogen to be collected. Other applications for the nitrogen maker ere in the tood industry — increasing the proportions of nitrogen to oxygen in packaging slows tood deterioration — end in brewing. Bubbled through is made, nitrogen attracts oxygen end removes it to give e more peletable brew.

UK/Japan tackle age-old problem

JAPANESE pharmaceuticals companies ara leying the groundwork for caring for the Increased number of old people that will inhabit Japan in the next century.

Fujisawe Pharmaceuticals, of Osaka, is to carry out e long-term joint research and development project with Edinburgh University to find new compounds that mey

help the treatment of a veriety of psychietric Illnesses, such as senila demantia.

The agreement is one of the first between e British University end e Japanese phermaceuticals company. in Japan such collaboration for basic research le elso new. The first commercially funded university research laboratory was set up et the Science Univarsity of Tokyo earlier this year to investigate how to deliver drugs within

the body. The UK research expects to identify new compounds which can be patented end licensed to third perties. Their work will centre on the the action of drugs on the central nervous system. Fujisawa will fund research to the tuna of £150,000.

Something new under the Sun

ENGINEERS end designers using computer workstations have e new option when buying thair high-powered

equipment. Solbourne Computer, the Colorado-based workstation menufacturer, is now selting workstationa in Europe which are compatible with those from Sun of Californie, using the Sun architecture known as Sparc. Solbourna. In which the Japanese firm Matsushita Electric has e majority stake, is one of a number of manufacturers to license the Sparc architecture, but claims to be the first to bring Sparc compatible workstatione to the market.

Solbourne cleims its machines are 15 per cont to 20 per cent cheeper then Sun equivalents. They are elso multi-processing ~ so a number of workstations can be networked together with a ranga of processors and other peripherals.

Cleaning up the paint

PAINT makers heve been characterised es one of the culprits when it comes to atmospheric pollution. But they are starting to smarten their Imege. One example ie Union

Carbide Chemicals end Plestics, of Connecticut In the US, which has developed e spray point that, it claims, reduces eir poliution. With traditional spray paints the colour resin is mixed with

hydro cerbon-based solvents. which prevent the paint clogging the aquipment.
Union Carbide estimates-that with evary four litres of coatinge sprayed by present methods, two kilograms of sofvants are relaased into

the air, where they mix with nitrogen to form ozona. With the new paint, cerbon dioxide replaces up to two thirds of the solvents Although carbon dioxide Is the pollutant held lergely reenonsible for the greenhouse affect, the

Computer plots the finds

company szys the ges ueed would be collected es e

by-product of other industrial

processes.

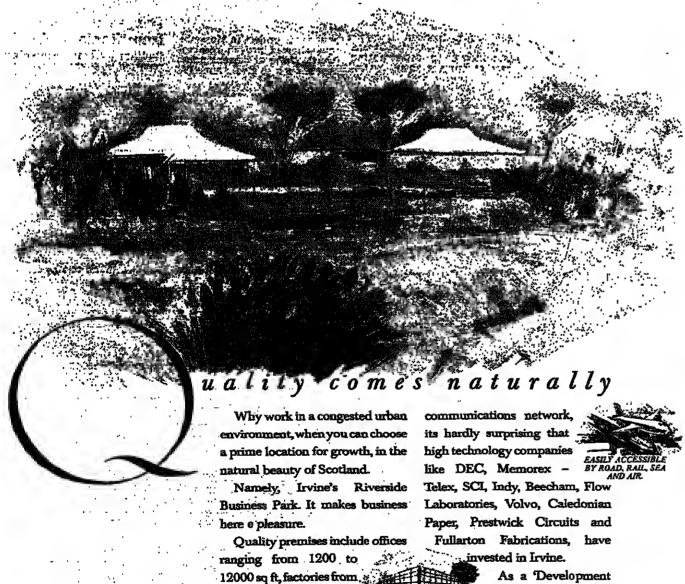
FOUR thousand yeers of Greek, Roman, Byzantine and Ottoman history are now being reduced to computer bits as well as bits of pottery and artefacts. At Pergamor in Turkay — now called Bergema — e Siemens Industrial computer la helping

archaeologists map the site. Previouely when survayors measured the distances between points on the site, ising the optical lheodolite they had to record the



measurements by hand. Now the measurements ere sent Instrument to the computer by cable or radio link, where they are converted into ordinates and stored. That data is then converted into the maps ot the site.

CONTACTS: Calor: UK, 0753 588710. Edinburgh University: UK, 031 667 1011. Solbourne Computer: US: 303 772 3400: UK: 0793 491333. Union Carbide: US, 203 794 3210. Siemens: Germany, 089 2340.



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With a large pool SKULLED LABOUR of labour, full public utilities services, and an excellent

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· GRADUATE -RECRUITMENT

A FINANCIAL TIMES SURVEY

1st NOVEMBER 1989

Just when the supply of 18-20 year olds is set to decline, employers are becoming increasingly conscious that securing an adequate supply of graduates of the right quality is crucial to their success.

For their part most final year students are aware that market power has switched in their direction. They are more likely to scrutinise closely the prospects of a sector and compare what each employer has on offer before embarking on a career.

The FT's Graduate Recruitment Survey will be written by the newspaper's unrivalled team of specialist writers with the interests and standpoint of the final year undergraduate deciding which career to follow very much in mind.

The survey will be given free of charge to every final year student in the UK as well as those attending the top five universities in both West Germany and France.

> To advertise in the most authoritative and comprehensive survey of graduate recruitment to be published by a national newspaper to date contact: Tim Kingham, Financial Times, Number One Southwark Bridge London, SEI 9HL Tel: 0I-873 3606, Fax: 0I-873 3062

COMMODITIES AND AGRICULTURE

Opec production 9% over quota

THE 13 members of the Organisation of Petroleum Exporting Countries were producing an average of 213m barrels a day in July, some 9 per cent more than their to the Paris based Interna-

tional Energy Agency.
In its Monthly Oil Market
Report, the agency shows that the main over-producers con-tinued to be Kuwait and the ing to IEA estimates, Kuwait produced an average of 1.8m b/d in the month, which was 64 per cent more than its Kuwait, however, refused to

meeting in June. The UAE, which has been a persistent over-producer within Opec, was said by the IEA to be pumping L8m b/d in July, or 73 per cent more than its

However, most analysts have said that some "institutionalised cheating" was an implicit part of the Opec agreement. Cambridge Energy Research Associates, the US based consultancy, for example, believes that a "tolerable level" of overproduction would be in the range of 95000 k/d to 15m k/d. range of 950,000 h/d to 1.5m b/d, with Kuwait and the UAE each over-producing by batween 300,000 h/d and 500,000 b/d.

Excess production above this

tional oil prices down into the \$14 to \$17 per barrel range, CERA said in its last World Oil Watch, a briefing for clients, Some over-production in

August was generally considered tolerable because of the tendency in lata summer to start rebuilding stocks for the The IEA expects consump-tion in the industrial world to

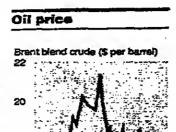
rise in the third quarter of 1989 by im b/d, or about three per cent compared with the figure for the same period last year, North American consumption is expected to rise about two per cent "with moderate increases in all products" with

With very low heating oil deliveries in Germany so far this year, consumer stocks are thought to have been drawn down to relatively low levels," the IEA said.

The IEA believes consump- 18 tion in the far east will rise by about 4 per cent or 200,000 b/d in the third quarter.

For 1989 as a whole, the IEA is now predicting total oil con-

sumption by the non-commu-nist world at 52.1m b/d, 2.4 per cent more than in 1988. This forecast is little changed from the IEA's last estimate in June.
The agency believes that oil stocks in the industrialised world rose by 800,000 b/d in the



ter indicated total stocks on land on July 1 were 447m tonnes, about 4m tonnes below the level at the same time last

Sugar market may be dominated by small buying group

A SMALL group of large potential huyers holds the key to prospects for the world sugar market over the next few months, according to E D & R Man, the London trade house.

"The market could so up if "The market could go up if India, the USSR or China buys," Man says in the latest edition of its Sugar Situation report, published today. "On the other hand it could retreat

if none of the above buys."

But the report says that the "downside potential" is limited in view of the overall tightness of supplies "and a conservative EC export potential."

Man notes that attention has been focused on India for some months as a potential buyer of bulk whites, "because its pro-

duction appears to be tailing off to between 8.5m and 8.7m tonnes with its consumption moving towards the 9.7m to So far, however, there has

been little sign of Indian import demand, "other than rumour and speculation," and Man suggests that at current market levels the authorities there "would rather destock than import sugar." In contrast continued Soviet

offtake has contributed to the additional demands on stocks which have exacerbated tha underlying tightness." Man suggests that world sugar production in 1989-90 will rise by about 2.5m tonnes, but

forecasts that rising consump-

tion will result in another season of supply deficit and, there fore, further stocks draw-downs. It warns however, that this is a tenuous assessment— its first formal projections for the 1989-90 season, together with revised estimates for

May 1989 Aug

Landon daily price (raw)

1988-89, are to be published next month. "Continued dry weather conditions have generated concern for the progress of the EC crop, the report says. "Farmers in France and the UK have been particularly vocifarous about the potential fall in their sugar yields and we have marked down the crops in

In major sugar producing regions of the Soviet Union. however, Man says crop conditions have been favourable.

OAU calls for price stabilisation scheme

THE Organisation of African Unity (OAU) endorsed a report calling for the introduction of a scheme to stabilise world conmodity prices at its recent summit, reports Renter from

auminit, reports Reuter from Addis Ababa.

This would include a proposed price band designed to provide stable prices with guaranteed floor levels for Africa's leading or atrategic commodity exports. "Such (a) scheme should have a built in guaranteed price for each commodity or each commodity or each commodity or each commodity exports." guaranteed price for each com-modity as well as a trigger price mechanism which should be used to intervene in the market to regulate the price fluctuations of these commodi-ties at any given time;" the proposal said.

The proposal was outlined in a memorandum drawn up by the OAU's steering committee and adopted at the July 24-25

It was written for submis-sion to a United Nations group of experts set up in May 1988 to of experts set up in May 1988 to carry out an assessment of Africa's commodity problems. The group, headed by former Australian prime minister Mr Malcolm Fraser, held its first meeting last April and met again here shortly before the

The report also proposed measures ranging from scrap-ping all tariff and non-tariff barriers against African commodity exports in developed countries to moving processing plants to Africa.
It declared the loss of income

suffered from falls in prices for African commodities was not adequately covered by existing compensatory measures such as the Stabex scheme of the European Community's Lome Convention on aid and trade and the Compensatory and Contingency Financing Facil-ity of the International Mone

tary Fund.
It called for a Global Com-pensatory Mechanism to guar-antee stable prices via compen-sation in foreign currency and

commodity agreements.
Following last month's fail-tire to refew the International Coffee Agreement, the Interna-tional Natural Rubber Agreement is now the only glob commodity pact operating with economio provisions. Similar agreements, using export quo-tas or buffer stocks to regulate prices, have collapsed in recent

Statoil faces reprimand over North Sea gas leak

range would push interna- a 3.5 per cent rise in Europe.

By Karen Fossil in Oslo

THE Norwegian Petroleum Directorate (NPD), Norway's watchdog over oil activities, is expected today in a report to issue a sbarp reprimand to Statoil, the Norwegian state oil company, for neglect which caused a "serious" gas leak

The leak forced oil and gas production at the Gullfaks A platform in the Norwegian North Sea to he shut down until Wednesday and endan-gered the lives of 240 personnel on the platform at the time of

Officials at the NPD said that due to special activities in the area production from the

Howaver, when production was re-started there were a couple of valves which had not been closed when they should have been.

A combination of a large volume of oil flowing at extreme pressure forced e rupture in two lines, one in the area of the flare, where some produc-tion is hurned off.

Sand carried throngb the pipes caused a sand-blast type effect, and eroded bends in the lines also contributed to the

ruptures.
The NPD has launched an investigation into the incident and yesterday said that it had gathered about 95 per cent of

the information it needed to decide that the incident was not caused by faulty equip-ment "but with the way it's being operated and main-

According to NPD officials there are still questions sur-rounding the reasons why the valves were left unopened. This year there have been 27 incidents involving gas leaks on platforms in the Norwegian North Sea. Of the total, three have been

classified as "serious" by the authorities, including the Gullfaks incident. The two others took place on the Statfjord A and Ekofisk 2/4 platforms in January and April respec-

In all 10 gas leaks have been reported this year at the Statfjord field and 10 at the Ekofisk fields, both of which are among Norway's oldest production facilities.

Gullfaks currently produces on average 270,000 barrels a day. The NPD stressed, however, that based on what it cur-rently knows there is no need to change existing regulations but that the integrity of pro-duction facilities may have to be assessed at more regular intervals.

Labour unions in Norway claim the incident was a direct result of reduced manning on the platform but this has been

stroogly denied by the authorities which claim "there is no evidence to support this view."

 Statoil yesterday said pro-duction on its Gullfaks A plat-form had resumed, reports Reuter from Oslo. A company official said pro-

duction resumed on Wednes day at the production and pro-cessing platform, which normally pumps 280,000 barrels of oil and 3.5m cubic metres of gas per day.

After the first automatic

shutdown on Saturday the platform was briefly brought back into production but closed down again on Sunday for a more thorough check.

It isn't only girls who want to make friends with diamonds

Kenneth Gooding reports from Oranjemund, Namibia on the problems a mining company has in protecting its gems seen offenders fined R200,000 for thefts of diamonds worth

OWHERE IN the world is the boom an distribution for gern diamonds have ing more impact than here on Namibia's diamond coast. For example, CDM, the De Beers subsidiary which operates the vast mine at Oranjemund, bas decided to bring into operation two new projects. On the darker side, there bas been a noticeable increase in diamond thefts from the mine.

Last year, CDM recovered stolen diamonds worth R9.2m (about USSem) and its security people believe this was only a very small percentage of the value of stones smuggled out of the mine.

Such is the temptation provided by these small hut highly-valued objects that someone even rohbed the safe at police headquarters, where recovered stolen diamonds worth R2.1m were being stored. The local police chief bas been arrested and is on trial for this alleged

Another indication of increased activity by the diawork bere is the drop in the number of bonnses paid to employees who pick np stones and hand them in. Many of the heavy diamonds work their way down through the beachgrammes. sand to rest in holes and crevices in the bed-rock beneath.

After earth-moving equip-ment has removed the sand, gangs of men literally nse brushes and shovels to clean out the apertures. Sweepers are offered hefty bonuses if they find any diamonds - pay-ments which can substantially increase their pay, which is a minimum of R553 a month. Last year, more than 8,000 "pick-up bonuses" were paid.

Previous High/Low

By the end of June this year, there had not been one. Oranjemund has the severest security problem of any diamond mine in the Western world because of its awe-inspiring size and the fact that 98 per cent of its stones are of gem quality. CDM's lease area stretches for about 150 km along the coast from where the

COCOA S/torine

Close

Orange River meets the Atlantic Ocean and 100 km inland. Vast amounts of material have to be shifted to recover the diamonds - 1,750 tonnes of sand to produce 25 carats of rough diamonds weighing about five There is a fleet of 336 earth-

moving machines, including a mam moth bucket-dredger which shifts one million tonnes of sand a month, and 1,300 light and heavy commercial vehicles which never leave the secure part of the mine. Security is stringent. Any-body entering Oranjemund is

subjected to a randomly-selected body-search or X-ray, Helicopter and vehicle patrols are conducted hoth day and night. Mr Keith Whitelock, the general manager, says light-heartedly; "We actively discourage the keeping of carrier pigeons or model aircraft." The rewards for those who succeed in smuggling out diamonds are great and the pen-

alty for capture relatively small Recent court cases have

LONDON METAL EXCHANGE

112.6 112.0

113.0 112.5

more than Rim. Thieves' syndicates usually pay the fines for those of their number who are caught and make sure their families do not

One CDM security official suggests that the ringleaders, who do not themselves carry who do not themselves carry stones but pay those who steal them and those who smuggle out parcels of gems, have become more blatant in recent months. "There are cars parked in the car parks far beyond the means of the people who own them. If I had my way, they would be kicked out as undesirables. But the law does not permit that."

does not permit that." Smuggled diamonds usually find their way into the normal trading system in Windhoek, Namibla's capital, which has become an even more important centre since CDM set up a R30 sorting and valuation sub-

934,242 carats, down from just over one million carats in 1987. Mr Whitelock says that the aim is to keep annual produc-tion between 800,000 and one million carats for the next 10

o help maintain output. two new mines are being developed. The first to come on stream will be the Anchas mine, on an ancient river-bed between the Richtersveld Hills and the Orange River, 40 km from Oranjemund.

At present, there is not much to be seen at Auchas but a number of hnts painted light green because locals believe this colour repels flies. The huts contrast sharply with the deep ochre colour of the sandy gashes in the earth show will not after CDB will not after CDB any great extent.

The company contributes soil. Two huge 30-metre-deep

The Auchas mine, however, sidiary there last year.

Last year, official output of the Oranjemund mine was will be a high-risk venture because the only sure way to the Oranjemund mine was see if diamonds are there is to cent of its export income last

US MARKETS

dig them out. CDM reckons the R90m project will yield about 45,000 carats of large gems a year. The company has known about the deposit for many years and since 1962 has been ready to go ahead with mining. But the deep recession in dis-mond sales between 1962 and 1985 forced the project to be

The mine is now likely to come into production slightly shead of the scheduled date of July next year. CDM's second new mining

roject, to recover smaller gem diamonds at Elizabeth Bay, south of Luderitz, is scheduled to start in mid-1991 at an annual rate of 250,000 carats. Development will cost R135m. All this assumes that Nami-bla's move towards true independence from South Africa

between 10 and 16 per cent of Namibia's gross domestic prod-

year, as well as paying R155.9m in taxes (13 per cent of all Namibian taxes paid in the period). Talks have already been held

about CDM in London by De Beers' Central Selling Organi-sation and the South-West African People's Organisation (Swepo), which seems likely to win the election in November. Swapo has indicated it would not nationalise CDM but most observers expect it would want to take a substantial interest in

the company.

The political uncertainty is naturally causing some unease at Oranjemund, a CDM-owned town of 9,500 people. Senior staff with long service are particularly worried and wonder what their inture will hold. They do not expect the transition to bring severe disruption. But if a major threat does materialise, they are only four kilometres from the South African border and, as one said, "we will swim the Orange River to get there if neces-

sation in foreign currency and not in local currency: It also proposed the establishment of an African Commodities Exchange to enable producers, with intergovernmental backing; to consult on production, storage, offers and bargaining strategy. Meanwhile efforts should be made to stimulate world economic growth to enhance

nomic growth to enhance demand for Africa's exports, and to strengthen axisting

WORLD COMMODITIES PRICES

(Prices supplied by Amalgamated Metal Trading)

MIDON FOX TRACED OPTIONS

LONDON MARKETS COPPER PRICES made further ground yesterday, with the cash quotation closing et £1,506 e tonne, up £18 on the

day and £42.50 on the week so tar. Bu dealers said the rise was linked to movements on New York's Comex merket end currency fluctuations and edded that the market eppeared to have become somewhet overbought. Meanwhile the recent rise in \$37.50 tell to \$1,780.50 e tonne. After the rise eppeared to heve run out of steam on Wednesday, when cash metal edged up \$2 e tonne, dealers moved onto the defensive with many ilquideting long positions. Lead tell o

news that a scheduled strike had bea averted at Britannie Retined Metal's plant neer London. Eerly losses were partly recovered but cash metal still ended £3,25 down at £415.50 e tonne

| SPOT MARKETS | | |
|--|--|---------------------------------|
| Crude all (per barrel FOR) | | + 01 - |
| Dubel
Arent Alond
V.T.I. (1 pm est) | 514.40-4.45z
\$17.10-7.25
\$12.45-8.50z | +.276
+0.50 |
| Of products
 NWE prompt delivery per to | onne CIF) | + or - |
| Premium Gasoline
Gas Oil
Heovy Fuel Oil
Naphina
Petroleum Argus Eatlmates | \$190-192
5149-130
\$82-63.0
3151-152 | -1
+2
+25 |
| Other | | + or - |
| Gold (per troy oz) Silver (per troy oz) Platinum (per troy oz) Polladium (per troy oz) | \$369.50
522.5c
\$497.50
\$132.25 | -0.25
-2.5
-2.25
-5.60 |
| Aluminium (free market)
Copper (U5 Producer)
Lead (US Producer) | 51785
1175 ₈ -119
39.5c | -30
+1 |
| Nickel (Iroo market)
Tin (Kuala Lumpur market)
Tin (New York)
Zinc (US Prime Western) | 600c
25 26r
439.b
50 % c | -5
-4.5 |
| Cattle (live weight)†
Sheep (dead weight)†
Pigs jlive weight)† | 117.60p
154.26p
86 49p | + 1.74°
+ 2.89°
+ 3.44° |
| London daily sugar (row)
London daily sugar (white)
Tele and Lylo export price | | + 5.5
-0.5
+ 5.6 |
| Garloy (English feed)
Maize (US No. 3 yellow)
Whosi (US Oerk Northorn) | £103.5
£131.5
£122t | -0.5
+ 0.5 |
| Rubber (seo)♥
Rubber (Seo)♥
Rubber (Oct)♥
Rubber (KL RSS No 1 Aug | 57.75p
50.25p
50.75p
) 252m | -0.25
-0.25
-0.25 |
| Coconul oil Philippines)§ Palm Oil (Malaysian)§ Copra (Philippines)§ Soyabeans (US) | \$485w
\$310t
\$315
£169 5z | -15
-3.5 |

te/lb. r-ringgit/kg. y-Oct/Dec. z-Sep. x-lui/ Aug. t-Aug/Sep. v-Aug/Oct. w-Sep/Oct.tMeet on average latitock prices. ' change from a week ago. Thorsdon physical market. 6CIF Rottordam. - Bullion market close, m-Ma-

| | Dec | 930 | 24-3 | 910 900 |
|----------|-------------|------------------|-----------------------------|--------------------------------------|
| he | Mer
May | 905
915 | 907
913 | 017 911 |
| ut | Jul | 929 | 830 | 927 925 |
| | Sep | 945 | 944 | 946 941 |
| | Turnby | er: 3734 (| 1349) lots | of 10 tormes |
| | ICCO Ir | ndicator p | rices (SDF | se per tonne). D
37.46) :10 day a |
| | price io | Aug 2 | 1087,34 (10
170,50 (1088 | 37.46) :10 day a |
| | | | | |
| | COFFE | E E/tonne | | |
| | | Close | Previous | High/Low |
| | Sep | 763 | 762 | 768 762 |
| | Nov | 772 | 767 | 775 759 |
| | Jaur
Mar | 791
S1S | 780
601 | 794 774
S1S 805 |
| | May | 836 | 823 | 834 B30 |
| n | Jul | 860 | 848 | 855 853 |
| an | Turnove | ec: 3115 C | 3563) lots o | f 5 torines |
| W I | ICO inc | licator pr | ices (US c | ents per pound) |
| , | | | lly 70.28 (70 | 1.90). 15 day aver |
| | 73.72 (7 | | | |
| | SUGAR | (\$ per to | rine) | |
| _ | Raw | Close | Previous | High/Low |
| _ | Oct | 325.20 | 321.00 | 325.20 313.00 |
| r - | Dec | 313.00 | 303.00 | 310.00 |
| | Mar | 302.60 | 299.80 | 302.80 297.00 |
| 76 | May
Aug | 297.00
291.00 | 294.00
287.50 | 297.00 284.00
291.00 287.00 |
| 50 | Oct | 285.00 | 282.00 | 284.00 |
| | White | Close | Previous | High/Low |
| or · | Oct | 425.00 | 420.00 | 425.00 417.00 |
| | Mar | 371.00 | 370.00 | 371.40 384.00 |
| 5 | May | 367.50 | 370.50 | 370.00 365.50 |
| - | Aug | 365.00 | | 368.00 |
| | Oct | 361,40 | | 368.00 |
| or - | Turnov | ar. Raw | 4280 (2422 | plots of 50 toni |
| 5 | | 77 (598). | nor formal | Oct 2657, Dec 2 |
| | | | | 297, Oct 2260. |
| 5 | | | | |
| <u> </u> | CKOUDE | OFL S/be | | |
| | | Clas | a Previo | |
| | Sep | 16.5 | | 12.72 16.55 |
| | Oct | 76.56
15.85 | | 16.73 16.80
18.70 16.65 |
| | IPE Ind | | | 70.74 (0.00 |
| | | er: 8033 (| 11350) | |
| 74" | | IL S/tonne | | |
| 89' | | | | |
| 44' | | Close | Previous | |
| 4 | Aug | 148.00 | 145.75 | 149.00 147.00 |
| .5 | Sep | 146.25
146.50 | 145.25
146.50 | 147.00 145.50 |
| | Nov | 147.75 | 148.75 | 149.00 147.00 |
| .5 | Dec | 148.50 | 147.25 | 149.50 148.25 |
| | Jan | 148.00 | 145.50 | 147.00 146.00 |
| 5 | Turnov | er 5382 (7 | 178)lots of | 100 100766 |
| 5 | | | | |
| 5 | | | | |
| | FRU | IT & VEG | ETABLES | |
| | THE | CIPET TO | F | |

PRUIT & VEGETABLES
THE FIRST new season English Discovery apples of e new season English Discovery apples of e new seasilable at 45-55p a lb, reports FFVIB. Outspan grapefruit 10-25p each, peaches 10-18p and Spanis yellow honeydew metons 50p-21.00 all remain excellent value. Both broad beens 30-50p a lb and peas 35-55p are the same as text week. Courgettes are plentful at 20-40p a lb 30-50p) ond English and French sweetcom is a new strivel at 25-60p a cob, their early appearance due to the not weather. Saled prices remain stable with tomatoes 30-60p a lb, wateroress 30-40p a bunch and round lethuce 25-40p each.

| | Close | | Previous | High/Low | AM Office | a) Kerb | ciose | Cpen | Interest | | | | | |
|------------------|--------------------|------------------|--|------------------------|------------------------|--------------------|-----------|--------------------|-------------|------------|-------------------------|--------------------------|---------------------|---------------------|
| Aluminiu | | | per tenne) | | | | | _ | 000 tonne | IN TH | E MET | LS, price | S ECVE | ced in |
| Cash
3 months | 1778- | B3 | 1818-20
1818-9 | 1788/1785
1620/1775 | 1785-80
1790-2 | 1775 | -80 | 32.05 | 9 lots | hosts | ge situa | s as conce | nued to | CEUSO |
| Copper, | Grade A | not req 2] | ine) | | | PI | חש פת | over 23, | 150 tonne | | | ing, repor | | |
| Cash | 1605-7 | | 1587-9 | 1588/1587 | 1568-0 | | | | | | | d modest | | |
| 3 months | | | 1574-5 | 1594/1571 | 1578.5-9.0 | | | | 0 1005 | | | rm Londo | | |
| | per tonne | | | | | | ufi prili | over 10, | 375 toxute | trada | selling | kept cocc | a price | a lower. |
| Cash
3 months | 415-6 | | 418.5-8.0
412.5-3.0 | 415/414 | 414.5-5.5
406-7 | 408-1 | | 0,503 | Late | | | d up desp | | |
| | per tonn | | ************************************** | -1-1-100 | | | | | 804 tonne | | | rere all lo | | |
| Cesti | 12825 | | 13150-250 | 12950/129 | 0 12975-300 | 10 | Olera . | 4,,,,,,,, | | | | ting the b | | |
| 3 months | | | 12200-50 | 12150/1200 | | | 0-75 | 5,604 | lock | | | als Septer | | |
| Tin (S pe | r tonne) | | | | | | Ping t | ושאפווונ | 725 tonne | sallin | g pushe | ed the wh | eat and | COLU |
| Cash | 9530- | | 9580-80
9550-80 | 05000000 | 9550-60 | 47.0 | • | 4 | | | | livestock | | |
| 3 months | | | | 9580/9620 | 9555-60 | 9540 | _ | 4,092 | | | | ined supp | | |
| | | | per tonne) | 4000.4000 | 4000-0 | - Pur | ng turn | over 10. | 875 tonne | | | Cattle clo
ys action. | | |
| Cash
3 months | 1685-9
3 1595-4 | | 1579-89
1385-1885 | 1685/1680
1605/1590 | 1685-90
1592-5 | 1605 | -10 | 10.82 | 7 10ts | | | e day con | | |
| | er tonne | | | | | | _ | | 500 tonne | | | energy co | | |
| Cash | 1630- | 40 | 1625-35 | | 1622-5 | | | | | chop | py as m | any ewall | the out | |
| 3 months | s 1550-6 | 90 | 1550-5 | 1550/1542 | 1542-8 | 1550 | -60 | 7,745 | lots | the U | S hosta | ge situati | ON. | |
| LME Cla | SLID Britan | | months: 1.81 | ** | g | 4 5000 | | | | | | | | |
| 3-O1: 13 | A-10 | | manual 1.01 | | S months: | 1.0000 | | a mon | hat: 1.5800 | | | | | |
| POTATO | JEE C/ton | rue. | | | LONDON BE | ILLION M | ARKE | • | | | | | | |
| | Close | Previous | High/Low | | Gold (fine oz | \$ price | | £ equiv | zient | No | w Y | ork | | |
| Nov | 140.0 | 139.0 | 136.0 | | Ciosa | 369 4-365 | 14 | 225-725 | | -46 | | VI N | | |
| Apr
May | 216.5
238.6 | 215.2 | 221.8 216.0
238.0 237.0 | } | Opening
Morning fix | 359.00 | 14 | 223 12 -2 223,268 | | GOLD | 100 troy | oz ; \$/troy o | 7 | |
| SCYAM | AN ME | L C/tonn | | — | Day's low | 368 4 - 365 | 78 | | | Sep
Oct | 373.7
375.4
377.4 | 370.1
371.8
373.5 | 375.0
0
379.0 | 369.2
0
373.0 |
| | Close | Previous | | | Coine | \$ price | | E equity | elent | Dec
Feb | 351.4 | 377.8
381.5 | 382.5
386.0 | 376.8
360.5 |
| Oct
Dea | 131.50
130.00 | 133.00
130.00 | 133.03 161
130.00 | .50 | Mapietosi
Britannia | 380-385
380-385 | | 231 ½-2
231 ½-2 | 341/2 | Apr | 388.5 | 365.3
369.1 | 365.1 | 384.7 |
| Turnover | 149 (40 | B)lots of 2 | tonnes. | | US Eagle
Anget | 380-385
380-385 | | 23112-2 | 3412 | Oct | 396.4
400.2 | 392.9
396.7 | 0 | 0. |
| | | | | | Krugerrand
New Sov. | 359-372 | | 225-227
52 4-53 | I. | PLATE | NUM 60 | troy oz; \$/tro | y oz. | |
| FREICH | | | ndex point | | Old Sov. | 8612-8712 | | 52 % -63 | 2 | | Close | Previous | High/Lo | W |
| | Glose | Previous | | | Noble Plat | 503,45-51 | 1.45 | 305.60 | 310.35 | Sep | 503.5 | 500.1 | 0 | 496.0 |
| Aug
Sep | 1433
1470 | 1423
1458 | 1420
1488 1485 | | | | | | | Jan | 509.3 | 503.1
505.9 | 510.0
511.0 | 502.0 |
| Oct | 1540 | 1529 | 1541 1530 | | Silver fix | prine oz | | US cts | oquiv | Apr | 512.6 | 509.2 | 515.0 | 815.0 |
| Jan
efi | 1562
1390 | 1547
1390 | 1560 1550 | | Spot
3 months | 313.70 | | \$21.75
532.65 | | Jul | 816.5
520.6 | 512.7
516.2 | 0
516.0 | 516.0 |
| Turnover | 128 (75) | | | | e months | 338.35 | | 543.35 | | | | roy oz; cent | | |
| | | | | | 12 months | 358,50 | | 554.50 | | | Close | Previous | High/Lo | w . |
| ORAIMS | Channe | | | | | | | | | AVO | 629.6 | 522.5 | 531.0 · | 621.0 |
| Wheat | Glose | Previous | High/Low | | POMPOR 14% | | | | | 260 | 533.3 | 526.3 | 536.0 | 523.6 |
| Sep | 108.35 | 108.30 | 100,80 106 | .85 | Aleminium (S | | Calle | | Puts | Oct | 537.2
545.3 | 538.2 | 550.0 | 0
536.0 |
| Nov | 109.85 | 109.85 | 110,15 109 | .85 | Strike price | S tonne Se | p No | v Sep | Nov | Jan | 548.3 | 541.2 | 0 | 0 |
| Jen
Mar | 113.40
115.75 | 113.40
116.75 | 113,65 113
117,03 116 | | 1700 | 100 | | | 35 | Mar | 556.1
563.5 | 549.0
556.4 | 559.0 · | .548,0 |
| May | 119.80 | 119.75 | 120,00 119 | | 1900
1900 | 45
13 | | 115 | 79
142 | Jul | 571,1 | 553.9 | 0 | Ö |
| | | | | | Copper (Grat | | Catla | | Pute | Sep | 578.7
589.5 | 571.5 -
589.4 | .683.0 | 660.0 |
| Berley | Close | Previous | High/Low | | 2500 | 15 | | | 98 | ~60 | auna | 202.4 | 300.0 | |
| Sep | 103.00 | 103.00 | 100.00 | | 2600 | 85 | 109 | 70 | 148 | | | | | |
| Nov | 106.63
13b.00 | 108.60
110.00 | 108.60 | | 2700 | \$1 | 73 | 128 | 209 | | | | - | |
| | | | 11b,03 | | | | | | | | | | | |

| 405-10 | | 0,503 | lots. | The | | ere all lo | war with | the so |
|--------------------------------|-----------|--------------------------|-----------------|----------------|------------------|-------------------------|------------------|------------------|
| Ru | 10 Pulm | OVET B | 04 tonne | | | ing the b | | |
| 12050-75 | 5 | 5,604 | lote | | | res were
Is Septer | | |
| Pir | o turn | CYNE 7 | 25 tonne | sallin | g pushe | d the who | oat and | COLU |
| 9540-80 | | 4,092 | | and h | lag agos | ned supp | ort from | higher |
| Ring | אינות | er 10.8 | 75 tonne | | | Cattle clo | | |
| 1605-10 | | 10,627 | | 6886 | d on lste | s action. | mission | house |
| Ring | ועודום | ver 9,2 | 00 tonne | | | energy co | | |
| 1550-60 | | 7,745 |)obs | | | eny ewali
pe situati | | COHIE OI |
| 5 | 9 | monti | SE 1.5800 | | | | | |
| N MAR | KET | | | | | | | |
| tce | | equiva | | Ne | WY | ork | | |
| 4-370 4 | | 25-225 | | GOVO | 100 test | z; \$/troy c | | |
| 00 | 22 | 3.260 | | 400 | Close | Previous | High/Lo | |
| 25
370½ | ~ | M.127 | | 40- | 373.7 | 370.1 | 375.0 | 300.2 |
| -369 % | | | | Aug | 375.4 | 371.8 | 0 | 0 |
| | | | | Sep | 377.A | 873.8 | 379.0 | 373.0 |
| ice | - E | equiva | र्थकार
स्थान | Dec
Feb | 351.4 | 377.8
381.5 | 362.5
386.0 | 376.8 |
| 385 | | 1 12-23 | | Apr | 388.5 | 266.2 | 365.1 | 384.7 |
| 385 | 28 | 112-23 | 42 | Aug | 392.6
396.4 | 369.1
392.0 | 592.5
0 | 308.5 |
| 385
385 | 2 | 11 12 - 22
11 12 - 22 | 412 | Aug | 400.2 | 396.7 | 0 | 8. |
| 372 | | 5-227 | **2 | | NITE OF S | oy oz; \$/tre | | |
| -87 2 | 52 | 1 -637 | 2 | - | | | | |
| -871 ₂
45-511.45 | . 5 | 5.60-3 | 2 10 15 | | Close | Previous | High/Lo | |
| ~~ | - | ~~~ | 10.39 | Sep | 503.5 | 500.1
503.1 | 510.0 | 499.0 |
| | | | | Jan | 509.3 | 505.9 | 511.0 | 502.0 |
| e oz | | S cts e | drija | Apr | 512.6 | 509.2 | 515.0 | 815.0 |
| 70 | | 1.75 | | Jul | 816.5
520.6 | 512.7
516.2 | 0
516.0 | - 516.0 |
| 55
35 | 54 | 2.65 | | | R 5 000 e- | by oz; cent | | |
| 50 | 56 | 4.50 | | | Close | Previous | High/Lo | <u> </u> |
| | | | | | 629.6 | | | 621.0 |
| XCHAN | OF TR | DES | OPTIONS | Aug
Sep | 533.3 | 522.5
526.3 | 531.0 ·
536.0 | 523.6 |
|) Ca | ul ka | - 1 | Puts. | Oct | 637.2 | 590.2 | 0 | 0 |
| не Sep | Nov | Sec | Nov | Jan | 545.3
545.3 | 538.2
541.2 | 550.0 | 636.0 |
| 108 | 118 | 13 | 35 | Mar | 556.1 | 549.0 | 559.D · | .546.0 |
| 45 | 64 | 49 | 79 | May | 563.5
571.1 | 556.4 | 0 | 0 |
| 13 | 30 | 116 | 142 | Sep | 578.7 | 571.5 | ŏ | ŏ |
| C | tia. | , | Vt | Dec | 589.5 | 582.4 | 593.0 | 590.0 |
| 157 | 166 | 33 | 98 | | | | | |
| \$5
\$1 | 109
73 | 70
128 | 148
209 | | | | | |
| VOED OF | TT-04- | | | | | | ٠ | |
| Sep | Nav | Sep | | NDK | 200 | | | |
| 67 | 88 | | Nov | | | e: Septemb | er 18 199 | 1004 |
| 32 | 68 | 5
20 | 26
48 | 1-21 | Aug 2 | Aug 1 | _ | o yr ago |
| 12 | 45 | 50 | 74 | 1 | 1898.1 | 1894.9 | _ | 1858.4 |
| Sep | Dec | Sep | Dec | - | | | 1995.5 | |
| 34 | | 9 | | | | ese: Dec. : | | |
| 10 | 74
48 | 35 | 62
62 | Spot
Future | 128.64
128.70 | 125 58
128,47 | 132.95
132.03 | 130.40
134.24 |
| | | | | | | | | - |
| | | | | | | | | |

| | Close | Previous | High/Lov | | - | | - | | |
|-------------|----------------|----------------------------|------------------|----------------|------------|----------------|------------------|----------------|----------------|
| wg | 112.85 | 113.30 | 112.60 | 112.60 | . HOYA | | och min; c | outrough pr | |
| ep | 112.65 | 113,10 | 114.20 | 112.50 | | Close | Previous | Highs aw. | |
| lot | 111,70 | 112.00 | 0 | 0 | Aug | 580/2 | 800/2 | 603/2 | 502/ |
| ec . | 109.25 | 100,20 | 110.00 | 106.20 | Sep | 600/6 | 683/2 | 579/0 | 5074 |
| RUE | E OL (LI | m) 42,000 | US galle \$ | berrel | . Nov | 564/2 | 573/0 | 572/4 | 562/ |
| - | Latest | | | | Jan | 572/4 | 582/6 | 582/0 | . 372H |
| | | Previous | 41 MOUNTAIN | F | Mar | 590/2 | 502/6 /- | 589/0 | \$51/4 |
| ep. | 18.38 | 15,26 | . 18.60 | 18.22 | May | 26050 - | 090/0 | - 590V4 | 20BM |
| ct | 18.08 | . 18.06 | 18.21 | 18.01 | Jul | .694/6 . | 603/0 | 603/0 | 504/(|
| OV | 17.92 | 18.00 | 18.09 | 17.88 | Aug | 566/D | 596/4 . | 600/0 | 5004 |
| -0 | 17.80 | 17,94 | 18.00 | 17.73 | SOYA | BEAN OIL | \$0,000 lba; c | ents/ib | |
| ab. | 17.70 | 17.80
17.75 | 17.76 | 17.56 | - | | | | |
| | 17.80 | 17.74 | 17,75 | 17,51 | 7 | Ciose. | Printous | Migh/Low | |
| ey. | 17.57 | 17.72 | 17.67 | 17.67 | AUG | 17.71 | 17.94 | 17.98 | 17.00 |
| un, | 17.84 | . 17.70 | 17.64 | 17.56 | Sop | 17.88 | 16.14 | 18.15 | 17.81 |
| | | | | | Ocz | 18.10 | 18.35 | 18.58 | 18.04 |
| AT | mg 00 4 | 2,000 US pu | lie cents/ | IS nelle | Jun | 19.49 | - 16.74
16.01 | 18.74 | 18.40 |
| | | | | | Mor | 16,67
19.08 | 19.31 | 18.66
19.30 | 16.63
10.03 |
| | Latest | Previous | High/Low | | May | 19.36 | 10.50 | 19.60 | 19.36 |
| P | 4925 | 4954 | 4965 | 4010 . | Jul | 19.59 | 19.85 | 19.85 | 19.50 |
| ā | 4986 | 5013 | 5050 | 4900 | | | | | |
| 77 | 5080 | 5074 | 5110 . | 5045 | BOYA | CAN ME | AL 100 tons; | \$/ton | |
| ec. | 5135 | 5154 | 5150 | 5115 | | Close | Previous | High/Low | |
| ID. | 5180 | 5169 | 5195 | 5145 | A | | | | |
| b | 5175 | 5004 | 5140 | 5086 | Aug | 185.0 | 194,9 | 194.0 | 183,2 |
| 27 | 4580 | 4909 | 4914 | 4880 | Sep
Oct | 180.9 | 186.2 | 185.5 | 180,1 |
| . | 4700 | 4500 | 4700 | 4680 | Dec | 177,6
178.8 | 170.3 | 180.0
179.0 | 176.7 |
| _ | | | | | Jan | 177.0 | 179.5 | 179 0 | 178.5 |
| OC: | DA 10 tom | HELIS/IDINA | · | | Mar | 178.1 | 181.0 | 180.2 | 178,1 |
| | Close | Previous | HighiLox | , | May | 180.5 | 182.2 | .181.0 | 179.0 |
| _ | | | | | Jul | 180.0 | 182,7 | 181,5 | 179,8 |
| • P | 1314 | 1385 | 1321 | 1305 | MAIZ | 5 000 hu | min; centeris | are bushed | |
| | 1346 | 1300 | 1352 | 1940 | | 4,000 00 | | | |
| ey. | 1355 | 1370 . | 1350 | 1361 | | Close | Previous | High/Low | |
| al | 1370 | | 1362 | 1362 | Sep | 217/2 | 221/4 | 220/4 | 217/0 |
| 00 | 1300 | 1363 | 1390 | 1380 . | Dec | 219/4 | 222/0 | 221/0 | 215/4 |
| BC. | 1400 | 1418 | 0 | 0 | Mar. | 227/2 | 220/2 | 228/2 | 226/0 |
| | | | | | May | 233/2 | 234/0 | 233/4 | 231/0 |
| OF F | EE 'C' 3 | ,500@e: ce | nts/lbs | | 낸 | 234/4 | 234/6 | 235/4 | 255/2 |
| | | | | | Sep
Dec | 232/4 | 230/4
230/4 | 232/4 | 230/0 |
| | Close | Previous | High/Lov | | | | | | 2,000 |
| Ф | 81,94 | 80.95 | 88.40 | 51.30 | WHEA | 7 5,000 54 | min; cents/(| Oto-bushel | |
| ec | 84.01 | 83.11 | 54.85 | 83.40 | | Close | Previous | Hightlow | |
| ler
ley | 86.55
86.50 | 85.60
87.45 | 88.86 | 87.50 | Sop | 367/0 | 390/2 | 390/2 | 386/4 |
| ul | 90.63 | 90.25 | 91.50 | 90.00 | Dec | 401/0 | 402/8 | 402/8 | 400/0 |
| e p | 92.25 | 20.25 | 92.25 | 92.00 | Mar | 405/2 | 407/0 - | 40002 | 404/0 |
| 90 | 94.25 | - 93.73 - | 94.25 | 94.25 | May | .391/0 | 396/0 . | 393/4 | 091/0 |
| | | - | | | Jul | 363/4 | 369/0 . | 385/4 | .062/0 |
| 100 | | "11" 112,0 | 00 lber ee | | Sep | 367/0 | 373/0 | 367/0 | 362/0 |
| | | | | | LIVE | ATTLE 40 | ,000 lbs; cen | te/lbs | |
| | Close | Previous | High/Lov | | | Gigea | Previous | High/Low | |
| Z. | 14.60 | 14.43 | 14.65 | 14.26 | Aug | 73.35 | 73.58 | | - |
| iu. | 13.08 | 12.86 | 0 . | 0 . | Sep | 78.00 | 75 00 | 73.65
0 | 73.17 |
| ar
ay | 13.58
13.31 | 13.49
13.27 | 13.61 | 13.32
13.10 | Oct | 76,22 | 75,97 | 78,50 | 75-60 |
| ı, | 13.08 | 13.05 | 13.10 | 12.01 | Dec | 74.62 | 74.47 | 74.65 | 74-37 |
| * | 12.85 | 12.55 | 12.90 | 12.00 | Peb | 73.22 | 73.10 | 75.50 | 73.00 |
| | | | | | Apr
Jun | 74.25 | 74.17 | 74.55 | 74.28 |
| | | | | | Aug
QuA | 72.60 | 72.45 | 72.05 | 72.50 |
| ή'n | ON 50,000 | cents/lbs | | - | | 70.60 | 70 40 | 70.50 | 70.50 |
| | Ciosa | Previous | High/Low | | TINE ! | CO2 30,0 | 00 lb; cente/ | be | |
| - | | 75.33 | 75.80 | 74 60 | | Close | Provious | High/Law | |
| t
ro | 74.98
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76.40 | 74.63
75,52 | Aug | 46.52 | 46,36 | 46.70 | 44 12 |
| | 78.60 | 76.65 | 77.00 | 75.28 | Oct | 40.95 | 40 40 | 41.15 | 40.55 |
| y | 76.70 | 76.86 | 77.50 | 78.55 | Dec | 42.42 | 42.02 | 42.75 | 42.02 |
| l. | 78.40 | 76.90 | 76.90 | 75.35 | Feb | 43.20 | 42.65 | 43.45 | 42.52 |
| × | 89.30 | 69.65 | 89.75 | 69.30 | Apr
Jun | 40 37 | 40.12 | 40.60 | 40.10 |
| | | | | | _ วันเ | 45.45
45.85 | 45.17 | 48.50 | 4.55 |
| AN | GE JUICE | 15,000 lbe; | conts/ibs | | Aug | 44.25 | 45.65 | 45.86
44.30 | 44.20 |
| - | Close | Previous | High/Low | | PORK | | 40.000 Ibe; G | | |
| _ | | | | 152.65 | | | | | |
| P | 186.90 | 157.50
144.95 | 157.80
146.00 | 156.50 | | Close | LAMIORE | High/Low | 1 |
| ם
נו | 141.45 | 141.40 | 145.00
0 | 144.00 | Aug | 20.20 | 25.02 | 26,82 | 25.65 |
| | 141.05 | 141,35 | 141,60 | 140.30 | Feb | 39.35 | 39.62 | 40.15 | 39.25 |
| | | | | 0 | Mar | 39.12 | 30.67 | 39.95 | 39.00 |
| A. | 139.35 | 139.90 | 0 | | Mari | | | | |
| h
A | | 139.90
139.15
138.40 | Ö | | May
Aug | 40.40
39.50 | 40.77
40.35 | 41.00
40.60 | 40.15
50.30 |

LONDON STOCK EXCHANGE

Equities wrestle with Footsie 2,300

TAKEOVER developments and eneculation again provided the vesterday in speculation again provided the main features yesterday in a London etock market still apparently uncertain about the deeper investment fundamen-

Share and One of the current question-marks in the marketplace was The British of eliminated when GEC/Siemens apparently sealed the fate of essey, the electronics/defence group, with a new hid worth £2bn. BAT Industries, however, continued to fall away as doubts over the outlook for the bid from the consortium headed hy Sir James Goldsmith deepened in London. It was another erratic session, with the Footsie Index

| <u> </u> | | |
|----------------------------------|------------|------------------------|
| Account | Dealin | Dates |
| "First Dealings:
Jul 17 · · · | Jul 31 · | Aug 14 |
| Option Declaration | Aug 19 | Aug 31 |
| Lact Declings:
Jul 28 | Aug 11 ' | Sep 1 |
| Account Day:
Aug 7 | Aug: 21 | - Sep 11- |
| Them time dealing | go may tak | o piéco from
cartor |

below the 2,800 mark again for much of the day, before rallying in late afternoon. The final reading of 2,306.3 on the FT-SE showed a net fall of 1.5. The FT Ordinary Share

Index opened at a new peak of 1,929.3 but lost it well before closing at 1924.0; this left the index still 0.8 points below this

year's peak reached on Friday. Market turnover was boosted late in the day by a host of substantial deals in Plessey stock as investors effectively capitulated to the 270p a share cash bid proffered by the GEC/ Siemens camp. For the market as a whole, Seaq volume of 550.1m shares compared with 424.8m on Wednesday.

The Plessey terms were a disappointment to some recent speculators, but they had little choice but to accept them, and the shares ended lower on the

er-based stocks also reflected suggestions from a number of UK broking houses that con-sumer spending will continue resilient in the face of the eco-The hroad range of the equity market, which tried to struggle higher from a dull opening, turned off in the wake nomic slowdown threatened in

ery sectors.

of the new Plessey bid. There tha sacond half of the was little significant selling year. Consequently, not all the year.Consequently, not all the activity in consumer stocks could be described as speculative. Traders identified good quality institutional interest in

the leading names. The London market's success in regaining the FT-SE 2,300 level yasterday was helped by Wall Street's steadiness in the face of another small dip in US economic indicators in June. However, caution was expressed at the London close on prospects for today's disclosure of the latest US amployment statistics which will be examined for further indications of the progress of the American economy.

of the current year from £100m to £103m. TI shares fell 10 to 464p, a decline blamed hy deal-

Confirmation that the for-eign shareholdings limits in

British Aerospece and Rolls-Royce are to be raised to 29.5 per cent boosted the price-

of only the former, which closed 6 better at 695p. Volume

was less than 1m, in contrast with the 6.7m Rolls shares which changed hands. Rolls'

price ended unchanged at 184p because, according to market-makers, e persistent seller was

Desontter continued to leap ahead, after revealing earlier in the week that it was in talks

that might lead to a bld. They touched 531p before closing at

528p, a rise of 50 on the day.

active et higher prices.

ers on profit-taking.

FINANCIAL TIMES STOCK INDICES (8/2)27.80 97.43 97.23 57.69 105.4 50.53 (26/11/47) (3/1/75) Fixed Interest 95.21 (13/6) 1926.2 49.4 (16/7/87) (26/6/40) 1924.6 (3/1) 192.0 187.S 193.B 205.0 154.7 734.7 (15/2/83) (26/10/71) FT-SE 100 Share 2307.B 2292.3 2297.0 2306.0 Basis 100 Govt. Seca 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/63. ☆ NII 12:02 4.28 2.95 12.04 4.25 9.91 12.13 9.97 12.05 Earning Yid %(tuli) P/E Ratio(Net)(A) 5.89 12,15 9.88 12.16 11.45 10.64 30,923 N/A N/A N/A 34,112 1487,92† 37,465† 555.6† 23,513 1037.74 22,529 SEAO Bargains(5pm 26,935 N/A 26,382 S.E. ACTIVITY Gitt Edged Bargains Equity Bargains Equity Value 352.0 Day's High 1929.8 Ordinary Share Index. Hourly changes Day's Low 1917.3 12 p.m. 1925.6 1 p.m. 1926.4 3 p.m. 1920.0 11 a.m. 1928-2 5 – Day average 10 a.m. Glit Edged Cargains Equity Rangains 1929.3 FT-SE, Hourly changes Oay's High 2310.3 Day's Low 2298.0 1 p.m. 2 p.m. 2305.4 2304.4 3 p.m. 4 p.m. 2301.2 2302.0 11 a.m. 2306.7

British Airways slides

First quarter figures from British Airways contained no surprises, but some in the market saw the accompanying statement, in which Lord King, the chairman, referred to "a small patch of turbulence", as e gentle warning of a trading

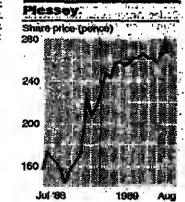
The price fell rapidly to touch 198p before the after-noon brought in heavy US buy-ing and reversed the trend ~ the Americans know how to value airline companies," com-mented one analyst. The stock closed at 195%p, a fall of 8% on the day in high turnover of 21m shares, 10m of which were clocked up after Wall Street

The early decline was exacerbated by a profits downgrading from Kleinwort Benson. Mr Colin Fell, who follows BA at Kleinwort, trimmed his profits forecast for the current year from £290m to £280m. He is concerned over the slow growth of traffic in the second, and current, quarter; "it's effect will last for more than a quarter," he said.

However, Mr Ian Wild, analyst at BZW, interpreted the statement more positively cit-ing, for example, good growth in the year so far. His recommendation and forecasts remained unchanged.

Plessey onslaught "Game set and match to the

GEC/Siemens alliance," was one leading broker's description of the latest developments in the long-running Plessey



takeover saga, which saw the UK/West German alliance launch e renewed offer for the defence/electronics group and raid the market for Plessey

GEC/Siamens announced their renewed bid, a full and final offer of 270p in cash for

every Plessey share (valuing Plessey at £2bn), during the early afternoon. They then instructed their joint brokers — BZW and Cazenove — to raise their stake in Plessey to 29.9 per cent, the maximum level permitted by the Take-over Panel.

The broking firms raided the market in two separate sallies. These netted some 113m Pleasey shares; "the first 10 per cant came in 10 minutes and the next five per cent in an equally short period," said one dealer in the stock. He added that the institutions were "fail-ing over themselves to sell out, which tends to demonstrate that 270p was the right price. Plessey shares dropped to 64p immediately following the bid news, eventually closing a net 8% off at 267%p; turnover rocketed to 285m shares, which after allowing for doubla counting on the market raid shows underlying turnover of 9m. GEC held at 270p on 5.1m.

Guinness wanted

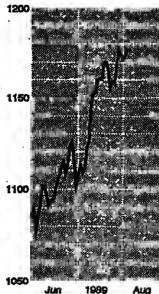
Brokers' recommendations, strong interest in the traded options, misplaced talk of buy-ing by French partner LVMH, and a large short position in the market gave fresh impetus to Guinness.

At the close the drinks group stood 19 higher at 572p on turn-over of 5.8m shares. In the traded options market volume was boosted by Citicorp Scrim-geour Vickers' purchase of 500 contracts (representing %m shares) in the November 550 calls, bought virtually at the

money for 46p.
The newest buy recommendation (the stock has already been upgraded this week by Hoare Govett and Charterhouse Tilney) came from County NatWest WoodMac. The broker has raised its fore-cast for the current year by £40m to £861m, and for next year by no less than £85m to

The factor behind all the upgrades is the dynamic performance of whisky exports. from their trip to BP's Alaskan For the five months to May this year the value of Scotch exports have grown by 20 per cent, and progress is most encouraging, said County, in markets where Guinness brands hold a strong position and where it controls its own distribution, such as Japan and South Korea. Another reason to buy Guin-

FT-A Alj-Share Index



ness is LVMH, which should contribute more to group profits this year than most brokers originally expected. Based on its latest set of figures, out ear-lier this week, LVMH could add as much as £105m to Guinness earnings in the full year, said Mr Gordon Bailey of Char-

terhouse Tilney.
Midland Bank shares fell 6 to 343p on turnover of 5.4m after the bank unveiled third world debt provisions of £846m, thereby upping their level of provisioning to over 50 per cent, compared with the 47-48 per cent levels of provisionin-gamounced by the other three

Much of the market's early action was in the oil majors an especially in BP which ran back sharply to 200p, in relatively heavy volumes, before staging a good rally and closing a net 2½ off at 294p; turnover reached a bigger than until 12m charge.

Dealers said the early selling came as analysts reported back

operations. There was widespread talk of a gloomy presentation to the assembly of some 40-plus analysts regarding the outlook for downstream profits, additional costs involved in the Alaskan oil-spill clean up, and worries about the possibility of a US anti-trust probe into the US west coast oil majors. Shell were also upset by the

stories, and dipped to 421p before steadying and closing a shade firmer at 424½p on 4.3m. has taken some of the steam out of the sector and is negative for Ferranti," says Mr Ross. He says Ferranti is exper-British Gas, on the other hand, iencing "serious cash outflow prohlams" and reckons the EFA and zonephona pro-grammes are "swallowing were boosted by the scare sto-ries on BP and Shell, which triggered switching into Gas and advanced 4% to 205%p on

turnover of 8.4m shares. Ultramar were among tha best performers in oils, adding The bearish stories on the Racal twins emanating from the BZW tour of US investment 5 to 329p on much-improved centres continued to upset the Racal twins; Electronics, turnover of 3.6m as the market picked up whispers of immi-nent good drilling news from North Sea hlock 29/5b and news of a possible refinery where US investors now account for 8.05 per cent of the issued capital, lost 9 to 417p on joint venture in Canada with turnover of 10m. Telecom lost 13 to 345p. TI Group produced interim results aheed of analysts' expectations and encouraged a flurry of profits forecast upgradings. Mr Pete Deighton at County NatWest WoodMac lifted his forecast for the whole of the surrent year from \$100m.

pressure and share prices soon

recovered poise, helped by a steady opening on Wall Street. The Plessey excitement did

not subdue the belief that another large takeover move is hanging over the marketplace – some sources believe it will

be in the maga hid range. The

most active areas for specula-tion were tha retail and brew-

The focus on these consum-

Among brewery stocks Bass, up 16 at 1094p, and Whitbread "A", up 6 at 380p, were dragged higher in the slipstream of Guinness, while profits were taken in Scottish & Newcastle,

down 3 at 382p.

Conder Group highlighted tha builders, advancing 20 more to 895p following strong support from one UK securities house. In chemicals Amersham International lost 5 to 473p after e profits downgrading by Hoare Govett.

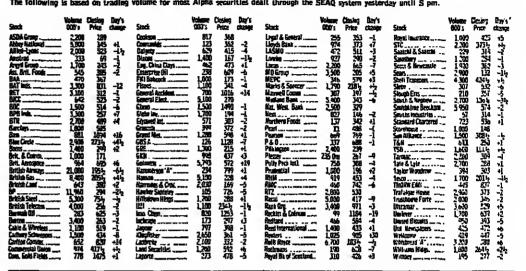
Stores stocks took a breather after recent outperformance, with only selected issues closing higher on the day. The most notable rise was posted by Boots, up 2 at 299p on turn-over of 1.4m shares. The market is expecting Boots to increase its bid for Ward White, currently 400p a share, possibly at some stage during this Account, and yesterday a few dealers suggested that Boots could launch a new offer, comprising cash and paper worth around 450p or 460p, this morning. Ward White closed down 3 at 439p.

Only two other leading stocks rose on the day, Marks & Spencer, a touch firmer at 218%p on turnover of L8m shares, and Ratners, lifted 2 to 259p by the presence of a large buyer. On the way down were Lowndes Queensway, a sharp 5 lower at 30p on press reports of problems at another furniture retailer, MFL

The latest move against Plessey from GEC/Siemens triggered a fresh bont of activity in the rest of the electronice arena. Mr Brian Newman, electronics analyst at Henderson Crosthwaite said GEC/Siemens outmanoeuvreing of Plessey would lead to e recycling of the cash proceeds back into GEC, which will experience no earnings dilution on the 270p a share bid price. Hoare Govett said events would lead to institutions piling into GEC and STC as obvious havens in the

But Ferranti, regarded by many as a likely beneficiary of funds switching from Plessey, fell 2 to 82p on turnover of 1.9m after Mr James Ross, of James Capel, dropped his cur-rent year profits forecast from £70m to £50m. "The lower than expected bid price for Plessey

TRADING VOLUME IN MAJOR STOCKS



Some 45,000 sbares changed hands and dealer hlamed the price rise on a single block of 25,000 shares bought for 525p in

afternoon trading.
Second-line food retailers hogged the spotlight as demand for leading stocks failed to follow-through from Wednesday's large gains. Taking centre stage were Kwik Save, up 10 at 547p on renewed hopes of a bid by Hong Kong group Dairy Farm.

Shares in Carlton Communi-cations firmed as Ms Bronwen Maddox, analyst at Kleinwort Benson, issued an internal buy not. "This is a rare trading opportunity to buy Carlton their usual stock market rat-

ing," sbe said.
The reasons for the recommendation was that the stock had underperformed the market by 12 per cent in three months. Thet in turn wes because US huyers heve been prevented from buying the shares by the SEC. The block would be reised by the autumn, she said, when the company would be holding presentations to US investors. Carlton closed 14 better at 820p

after 825p.
Land Securities, the UK's largest property group, featured after Baring Securities was reported to have bought 650 traded option contracts in the October 600 call series. With two trades of 1/2m shares

in Land Securities going through the system in the morning, dealers suggested that Barings may have sold the underlying stock as a hedging operation. At the close the shares were 6 better at 592p on

up an exceptionally high turn-over for the stock of 3.4m sbares. All but 400,000 was accounted for by an agency swap, said a dealer. Rank close 3 off at 971p.

Rank Organisation clocked

Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 19

NEW HIGHS AND LOWS FOR 1989

APPOINTMENTS

NEW HORSE (186),
AMERICANS (S)CANADIASE (1) BARCE
(4) BREWERS (6) BUILDINGS (8) CHERICALS
(6) BROWERS (6) BUILDINGS (8) CHERICALS
(7) STORES (8) BUILDINGS (8)
FROMESTRING (10) FOCOS (10) HOTELS
(1) ROUSTRIALS (55) ADT. ADI. Alexandra
Wilwar, AMELLINIA, BET, RITR Nyica, Bactus
3rd, Bucklet, Bet, Bet, Bet, Market,
Hudingdor, Lott., WP. MacLartans, Metsec,
Hudingdor, Lott., WP. MacLartans, Metsec,
Nortols House, Page (14), Portmelrion Pola,
Raisance Sec., Reuters, Rote & Notos,
Sospe, Behlumberger, Cl. Gobein, Str.,
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INSURANCE (3) LEISURE (8) PAPENS (3) PROPERTY (11) TRANSPORT (2) TRUSTS (8) OLS (3) OVERSEAS TRADERS (2) SINGS (4) TRUSTS (2) SINGS (4) TRUSTS (3) OLS (3) OLS (3) OLS (4) TRUSTS (3) CHEMICALS (2) STORES (1) ELECTRICALS (3) FOODS (1) NOUSTRIALS (9) CATOP PROC. A Armstrong, Colorosi, Cont. Stationary, Corowell Parker "A". Dobphin Pack., Halls Homes & Gone, Lief Kert, Sharps & Les-Leisure (1) MOTORS (1) PAPENS (1) PROPERTY (1) TEXTLE (1) TOBACCOS (1) TRUSTS (1) SINGES (1).

Bill of exchange claim succeeds

FT LAW REPORTS

IRVANI V G & H MONTAGE GmbH Court of Appeal (Lord Justice Purchas, Lord Justice Mustill and Lord Justice Woolf): July 28 1989

A GUARANTEE in the form of an "aval" in respect of draw-ee's liehility on bills of exchange drawn in a foreign country is, unlike an endorsement, not subject to English statutory requirements as to protest and notice of dishonour; and accordingly, though the bills are dishonoured in the UK, the drawer's failure to satisfy those requirements does not discharge the evaliste from liability.

CmbH (G & HM), a German

LORD JUSTICE MUSTIL said that in August 1976 G & HM drew up 30 bills of exchange in West Germany. An Iranian company was named as

drawee.
Each bill stated the amount peyable in figures es DM 464,000. Twenty nina of them expressed the amount in words as "Deutsche Mark Vierbundertvierund sechsigtau-send." Through a typing error "tausand" was omitted from the remaining bill The bills were payable to G

& HM's order in London at National Westminster Bank. They were posted by G & HM from West Germany to the drawee in Iran. The front of each bill was signed by the drawee as acceptor, and Mr Irvani, a principal shareholder,

Tha bills were posted back to G & HM in Germany. G & HM signed the space for drawers on each bill, and remitted them

ing that Mr Irvani was signing as guarantor. G & HM wrote to Mr Irvani and he replied saying he had no objection to its adding "bon

On receipt of his letter in West Germany, G & HM typed those words above his signature on each bill, and returned them to Bayerische. At maturity the bills were

presented for payment at Netional Westminster Bank in London, and were dishonoured. Some time afterwards they were returned by Bayerische to

No notice of dishonour was given on any of the bills (see section 48 of the Bills of Exchange Act 1882). Each was protested for non-payment (see section 51), but in respect of six the protest was outside the statutory time limit.
G & HM as drawer sued Mr

Irvani by virtue of his signature. Mr Justice Saville decided that German law was the gov-erning law, and that sections 48 and 51 of the 1882 Act did not apply to discbarge him from liability as avaliste. The first issue on the eppeal was whether absence of notice

of dishonour, and late notice of protest, discharged Mr Irvani's liability.
In English law an endorser

was liable to compensate the holder or subsequent endorser in the event of dishonour "provided that the requisite pro-ceedings on dishonour be duly taken" (section 55(2)(b)).

Where the signatory was not the holder of the bill he incurred the liabilities of an endorser to subsequent parties in the event of dishonour, hut not, by his signature alone, to the drawer/payee. Proof that the parties intended to make him liabla to the drawer/payee other systems of law recog-nised the concept of an "aval." Annex 1 to the Geneva Con-

vention 1932 contained e Uni-form law on Bills of Exchange and Promissory notes.

It provided that payment of a bill of exchange might be guaranteed by an "aval," expressed

by the words "good as an aval" (bon pour aval) or any equiva-lent formula, and signed by the giver of the aval. Tha party who gave an aval for the acceptor was liable to the drawer without the need to establish a guarantee in writ-

German law closely conformed to the Uniform Law. The bare signature of a stranger operated as an aval if placed on the front of the bill, hnt not on the reverse unless qualified by words showing it was intended to be an aval. By Iranian law the signature

of a stranger could not operate as an indorsement, but might be shown by extrinsic avidence (such as "pour aval") to create à surety. Section 72(2) of the 1882 Act

an indorsement was deter-

Section 72(3) provided that where a bill drawn in one country was payable in another, the holder's duties were determined by the law of "the place where . . . The bill is dishonoured."

It was doubtful whether section 72(2) had any application to a claim on an aval.

That made no difference to the mode by which the govern-ing law should he chosen. Where the claim was hrought on e bill the court should, et Common Law, apply by analogy the same conflict of laws rule as was created for liabilities on indorsements by section 72(2). In principle section 72(3) did

epply. All that was needed to bring it into play was that the holder of a bill should hring a claim on it. That requirement was satisfied, even though the claim wes of a kind which English law did not acknowl-

Under section 72(3), the court must apply English law as the law of the place where payment was due. In that context English law

consisted of the 1882 Act. How-ever, there was nothing in section 48 and 51(2) addressed to liability under an aval. Sections 48 and 51(2) did not epply That conclusion was

reached, not by categorising the obligation as arising on an endorsement end then, hy recourse to Germen law through section 72(2), recategorising it as an eval. It was reached by examining the facts relied on to found the cause of action onder German law, and concluding that they were not facts to which sections 48 and 51(2) applied.

The second issue on the appeal was whether G & HM was disentitled from enforcing its claim in English courts on the ground that there was no memorandum in writing sufficient to satisfy the requirements of the Statute of Frauds

There was no authority for bolding that the Statute of Frauds could ever be set up as an answer to a claim under a bill (see McCall v Hargreaves).

The liability sued on was e liability under a bill if the case was governed by German law. The position was the same under Iranian law where the claim was founded on an aval.

fore did not apply.

If it did apply, the bills were sufficient writing to satisfy the requirements of section 4. The typed words showed that the

The Statute of Frauds there-

aval was for the drawee, that Mr Irvani guaranteed its ohligations, and that G & HM was a beneficiary. That was enough to satisfy the statute.

Even if that were mistaken, there was sufficient in the correspondence between G & HM end the acceptor, and Mr Irvani, to link his signature on the bills with the guarantee

The third issue was wbether under the single bill on which the words and figures differed. G & HM could recover only to the extent of the written (lower) sum.

The parties agreed it was not a matter for English law. As to German law, the judge found that where there was e difference between figures and words, the sum expressed in words prevailed.

He went on, however, to find that in the light of article 242 of the Civil Code, which cre-ated a broad obligation of good faitb in the enforcement of rights. Mr Irvani could be pre-cluded from relying on the pro-vision that words prevailed, in that the bilis were issued in a series of payments intended to be of the same value, and the parties knew that there was never intended to be e liability of only DM 464 on one hill. There was not explicit find-

ing on the position in franian law. If Iranian law applied Mr Irvani's defence on the single

The court therefore had to consider, by analogy with section 72(2), which was the law of the place where the contract

That, like other questions of preliminary classification, must be answered according to English law. To decide where it was

made, the contract must first be identified. Mr Irvani's signature became an aval when G & HM turned

it into one by adding the typed words in Germany. Accordingly, German law governed the rights and obligations on the aval and the discrepancy between words and figures did not afford a defence to the single bill.

The appeal was dismissed. Lord Justice Purches and Lord Justice Woolf gave concurring judgments.

For Mr Irvani: David Donoldson QC and Michoel Brindle (Herbert Smith). For G & HM: Ian Hunter QC and Graham Dunning (Rowe &

> Rachel Davies Barrister

New chief for **Lombard North** Central ·

m Mr Brian Carte has been appointed chief executive of LOMBARD NORTH CENTRAL, National Westminster Bank's finance house subsidiary, on the retirement of Mr Byron Crittenden. Mr Certe joins Lombard after four years as managing director of National Westminster Insurance Services. Previously senior director of County Bank's banking division, he has worked for the NatWest Group for 29 years and is currently resident of the Association of Corporate Treasurers.

■ REDLAND has appointed Mr Stephen O'Brien as director of corporate planning. He was assistant company secretary. Rediand Roof Tiles has appointed Mr Philip Margrave as managing director. He was managing director of clay roof tile operations at Steetley, Mr Kevin Abbott becomes chief executive. He is a director of

■ BELLSOUTH CORPORATION, Atlanta, has appointed Mr John Darkin as executive director - UK and Europe. He was generalmanager, central marketing. British Telecom International, and replaces Mr Robert Meyer who is returning to the US.

Mr Colin Bott, finance



THE RANK ORGANISATION has appointed Mr Hugh Corrance (above) as managing director of Rank Video Services from November 1. He is director of technical services for Rank in the UK and will join Video Sevices at the end of August as managing direc-

tor designate. Mr Ronald Hunter, deputy director of Rank's property department, will become direc-tor of technical services for the UE at the end of August. Mr Nicolas Watkins, manag-ing director of Rank Video Services, is leaving the com-pany to take up an external appointment.

director of the group's principal operating subsidiary, has been appointed finance director of HEY & CROFT GROUP. Mr David Cole, a director of Corporate Finance Advisory Services, has been

director. Mr George Porter and Mr Michael Wright, retired.

■ Mr Alexander Duma has been appointed e director of SMFTH NEW COURT CORPORATE FINANCE. He was a managing director of Chase Investment Bank where he was head of the UK corporate finance department,

■ THE RESPONSE GROUP has appointed Mr Alex uson as chief executive of operating company Maydella. He was group financial controller.

chairman of Swiss Bank Corporation's equities division. deputy chairman of Erith, and a director of Royal London Mutual Insurance Society, has been appointed a non-executive director of SECURE TRUST

Mr John Carson has been appointed senior vice president of CADBURY SCHWEPPES BEVERAGES, Stamford, Connecticut. In addition to his responsibilites as president of Schweppes North America, he is now also responsible for Schweppes in the UK. He ioined Cadburys in 1964, and went to the US in 1981.

■ Mr Bob Eccles has been appointed to the new post of financial director the FEDERAL EXPRESS European logistics management division.

Mr John Jefkins has been appointed managing director of NORWEST HOLST PROJECT SERVICES. He was technical director, and will continue as a director of Paterson Candy Holst.

■ Mr Ken Cusack, operations director, has been promoted to managing director of SORBUS (UK), Bell Atlantic's independent maintenance company. ■ HOMEOWNERS FRIENDLY SOCIETY, Harrogate, has

appointed Mr Peter Sparling

as e non-executive director.

He is senior partner of Blacks, Leeds-based solicitors. Mr Robert Cole, director of the specialised works department, has been promoted to joint managing director of MANSELL (CROYDON).

■ THE BRITISH AVIATION INSURANCE CO has appopinted as directors: Mr A.J. Beason from Royal Insurance; Mr J.G.T. Carter from Commercial Union; Mr E.G. Coward from Sun Alliance; and Mr J.G. Frangoulis from General Accident.

Mr Hamdi Conger has been appointed director and general manager of the Lockheed Brakes division of AUTOMOTIVE PRODUCTS, part of the BBA Group, He was managing director of Bosal

The Court of Appeal so held when dismissing an eppeal by Mr RM Irvani, from Mr Justice Saville's decision that as avaliste (guarantor) under dishonoured bills of exchange, he was liable to the drewer, Grun-zweig und Hartmann Montage

signed on the reverse.

to Bayerische Verlenbank. Bayerische returned them saying that for the purposes of Iranian and German law, there should be express words show-

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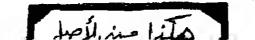
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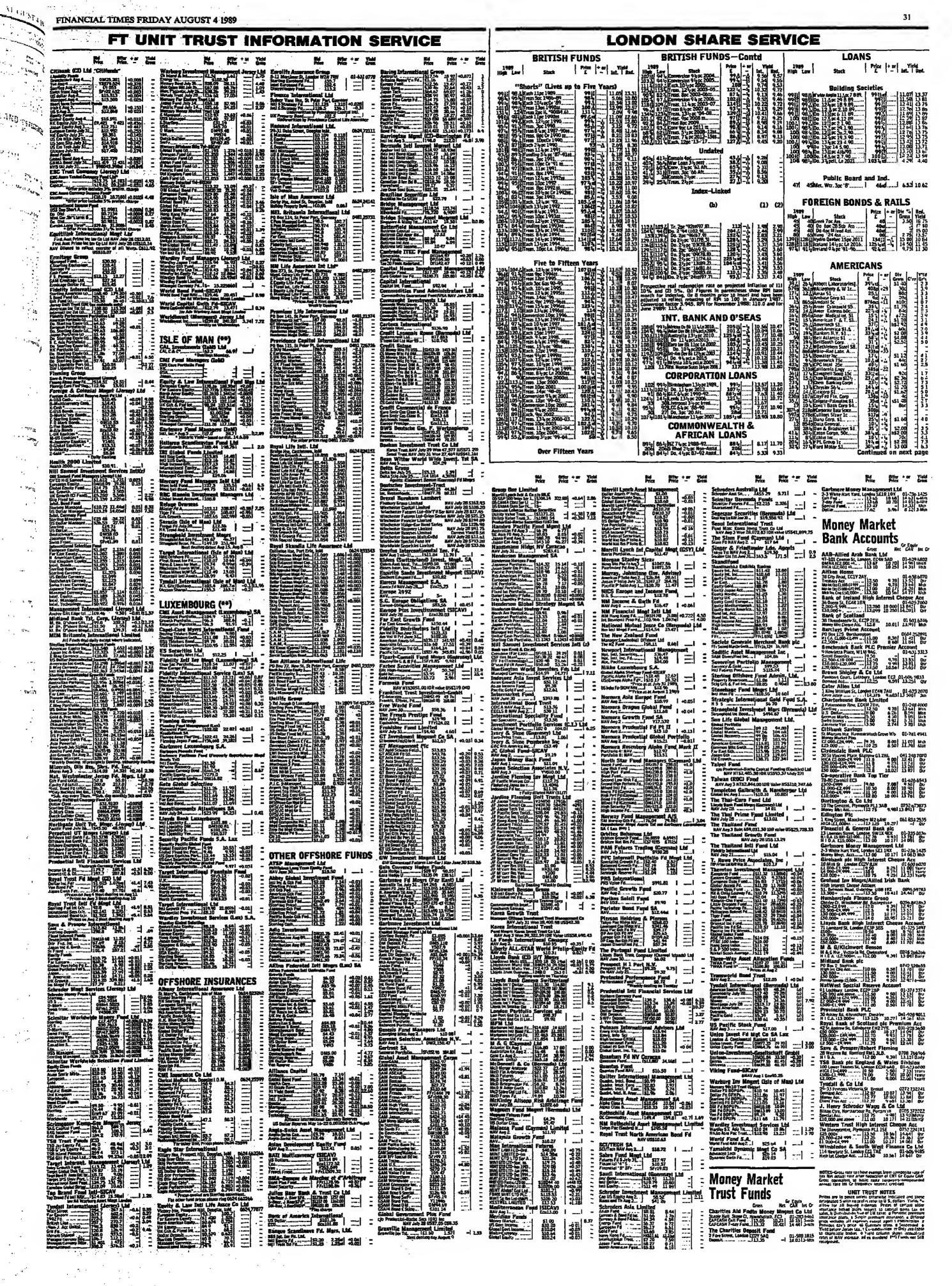
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LONDON SHARE SERVICE

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound ends above day's lows

STERLING WEAKENED on the foreign exchanges yester-day with attention focused on the pound's value against the D Mark Nevertheless, traders noted that the British currency bounced off the day's low of DM3.0500 to close at DM3.0650, compared with DM3.0800 on

Sterling has declined from around DM3.11 earlier this week, but the view in the City was reasonably optimistic yes-terday, after it closed above a support level of DM3.0600, ft was widely suggested that this level is likely to hold and that several negative factors are now out of the market.

There bave been three main

reasons for the pound's decline, according to dealers. The first was rumours that the UK authorities were unhappy with the recent rise and looked to cap the currency below DM3.12, for reasons of competitiveness. The second was that there bad been some large orders to buy the high yielding Australian dollar against ster-ling, and the third was that UK clearing banks have sold the pound to make provisions against losses on dollar portfolios involving third world debt. tt has been rumoured that the Bank of England sold eterling against the D-Mark earlier this week, but action hy the authorities yesterday all but

| E IN NEW YORK | | | | | | | | |
|---|---|----------------------------------|-------------------|--|--|--|--|--|
| Aug.3 | Aug.3 Latest | | Previous
Close | | | | | |
| £ Spot | 1.6310-1.
0.66-0.
1.95-1
7.40-7. | 65pm
92pm | 2 | 50-1 6560
75-0 73pm
21-2 19pm
47-7,37pm | | | | |
| | Forward premiums and discounts apply to the US dollar
STERLING INDEX | | | | | | | |
| | | Ang. | 3 | Previous | | | | |
| 8.30 am
9.00 am
10.00 am
11.00 am
Noon
1.00 pm | | 92
92
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91 | 4 | 928
928
925
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quashed this suggestion.

| 2.00 pm
3.00 pm
4.00 pm | | 92.0
92.1
92.0 | 92.7
92.7
92.7 | | | | | |
|---|--|--|--|--|--|--|--|--|
| CURRENCY RATES | | | | | | | | |
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| All SDR rates | misssium (| alculations. | | | | | | |

| Aug 3 | £ | S |
|--|--|--|
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64.00 - 64.10
4.3680 · 4.3805
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3.1950 · 3.2005
6.705 · 6.875
42.15 · 6.256
6.765 · 6.8765
4.215 · 6.256
6.777 · 6.0805 | 650 00 · 655.00
1 3010 · 13020
4 1990 · 2,0210
159 00 · 161.60
7 8055 · 7.8075
71.59°
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0, 29370 · 0, 29480
2 6615 · 2,6665
2 6615 · 2,6665
2 7.8075
1 665 · 1,6695
1 665 · 1,6695
1 7.500 · 2,6450
1 665 · 1,6695
1 665 · 1,6695
1 665 · 1,6695
2 6615 · 2,6665
2 6615 |

MONEY MARKETS

THERE WAS a further flattening of the reverse yield

curve on the London money market yesterday. Dealers now

see little prospect of a cut in UK bank base rates for several

months, and possibly not this year. This has created a yield

structure with little difference in rates for periods between one and five months.

Three-month interbank eased slightly to 13¼ 13¼ per cent yesterday, from 13%-13¼

UK clearing bank base lending rate

14 per cent from May 24

per cent on Wednesday, but the weaker pound and fading hopes of lower interest rates

led to a rise to $13\frac{7}{16}$ $13\frac{3}{16}$ per cent from $13\frac{3}{6}$ 13\frac{3}{4} in 12-month

money. The Bank of England ini-

tially forecast a money market credit shortage of £650m, but

revised this to £800m at noon and back to £650m in the afternoon. Total help of only £370m was provided.

Before lunch the authorities bought £55m bank bills in band 1 ct 122 per cent in the afternoon.

1 at 13% per cent. In the after-noon another £120m bills were

purchased, by way of £48m Treasury bills in hand 1 at 13% per cent and £72m bank bills in band 1 at 13% per cent. Late

assistance of around £195m

was also provided. Bllls maturing in official

Yield curve flattens

hands, repayment of late assis-tance and a take-up of Trea-sury bills drained £518m, with

a rise in the note circulation

absorbing £80m. These factors outweighed Exchequer transac-

tions adding £40m to liquidity and bank balances above tar-

In New Ynrk the Federal Reserve drained funds from

the banking system, via over-night matched sale and repur-chase agreements, when Fed-

eral funds were trading at 84 per cent. This was in line with market expectations.

In Amsterdam the Dutch

Central Bank injected only FL 90m into the domestic money market through six-day

market through six-day advances, at an unchanged rate of 7.1 per cent. The commercial banks did not appear very interested in applying for funds at yesterday's tender, in spite of estimates by the central bank that an unexpected FI 1.5bn has drained from the pener market as hards have

money market, as banks have

made tax payments on behalf of customers. In Frankfurt call money was

steady at 6.90 per cent, show-ing no reaction to news that the West German Federal Sta-tistics Office had revised down

its esimate of the annual infla-tion rate to 3.0 per cent from 3.1 per cent.
In Zurich the Swiss National

Bank set its floating Lombard rate at 8% per cent, against 8% per cent on Wednesday.

The Bank of England appeared to make no secret of the fact that it was buying the pound and this provided good underlying support for the cur-rency. A dealer commented that the authorities have now made it ahundantly clear that they are bnyers of sterling if necessary and have no inten-tion of contributing to any

It is also assumed that any action by UK banks to cover exposure to third world debt is probably over. The total write offs by the main UK banks is estimated at around £2bn, but any weakness of sterling on this account will prove tempo-

The other factor is tha strength of the Australian dol-lar. The Australian currency eased elightly yesterday and failed to reach a target rate of 77.00 US cents. It closed at 76.70 cents in London, compared with 76.75 in Sydney. This also-

| nelped ease | pressure | on st |
|---------------------|------------|-------|
| ling.
At the end | of trading | in L |
| | | |

| | e e |
|---|---------------------------------|
| | don the pound had fallen 2.05 |
| | cents to \$1.6430. It also |
| | declined to Y225.00 from |
| | Y226.50: to SFr2.6400 from |
| | SFr2.6475; and to FFr10.3875 |
| | from SFr10.4350. On Bank of |
| | England figures sterling's |
| | exchange rate index fell 0.7 to |
| | 92.0. after touching a low of |
| • | 91.9 in the early afternoon. |
| | • |
| | Who dellaw man composition |

The dollar was generally firmer, rising above resistance against the D-Mark at DM1.8600 and failing to test strong support at Y135.50 in terms of the yen. Trading was quiet, lacking fresh factors. Dealers are waiting for today's data on July US employment for further guidance on for further guidance of whether the US is heading in

The dollar rose to DM1.866 from DM1.8515 at the close i London. It also advanced t Y136.90 from Y136.10; t SFr1.6065 from SFr1.5920; an to FFr6.3225 from FFr6.272 According to the Bank

| ling. At the end of trading in Lon- England the dollar's it to 68.8 from 68.4. | | | | | | | | | | | |
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German O-M:
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Ontch Guilder
Irish Punt
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Spanish Peset | ** | 42.4
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130.0 | 112
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| Aug.3 | Day's
sprea | | C | lose | 0= | e month | %
p.a. | Three month | | %
pa. | |
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-1,59,pm
-1,59,pm | 6.44
5.564
4.88
6.710
1.20
1.27
2.66
2.14
8.39
6.72
4.7 | |
|--|---|---|--|--|---|---|--|--|---|---|---|
| 4.30-64.40 | Stx-mont | h forward do | FORW# | pri 1 | 2 months | 7,A2-7. | 32cpm | _ | | | |
| Aug.3 | | ay's
read | Clase | | One ma | ntia | %
p.a. | The | | 94
p.a. | ĺ |
| IKt | 1.4280
1.1705
2.0885
38,70
7.1849
1.55,35
116,20
13304
6.8019
6.8019
13.014
13.014
1.5900
1.1095
ates taken
discount
cial franc | - 137.05
- 13.13
- 1.6080
- 1.1160
n towards the
s apply to th | _ | SO STATE OF THE PROPERTY OF TH | 43-5
3.70-4 20
1.05-1.30
0.23-0.2
1.62-1.77
0.42-0.3
1.45-0.65-0
0.21-0.1
0.05-0.0
log the India | Depen
Looks
4cpm
repen
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of pm
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1.06-)
0.70-(
2.50
0.73-(
0.73-(
2.55-)
12.30-1
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oted in US
Belgian ra | 4.35dls
1.00dls
5.25dls
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1.20pm
te is for | 1.53
3.70
1.33
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1.53
-6.99
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-3.22
3.16
0.78
1.88
0.77
7. Forward convertible | |
| | EU | | JRRENC | <u> Y</u> | | | | | S | | |
| Aur. 3 | | Short | 7 Days | Ι. | Due | TA | ree | 5lx | | One | |

| entschmar
r. Franc
gitan Lire
Fr. (Flu)
Fr. (Cos.
m

Krone | | 7-64
91-91
11-9
81-81
81-81
91-91
81-81 | 8559.85 | 2-11-2
2-11-2
2-11-2
2-11-2
2-13-2
1-3-1
1-8-1 | 611-61
91-61
121-1
84-81
54-51
94-91
811-81 | 9188598 | \$ 1212
\$ 48 5 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 | 61.6
81.8
12.4.1
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91.6
81.6 | Section Sectin Section Section Section Section Section Section Section Section | 12-61
12-81
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12-91
12-91
12-91 |
|---|----------------------------------|---|----------------|--|---|----------------|--|--|--|--|
| 2015 8 2 - 8 | rm Eurodo
& per cent | _ | | _ | CRO | - | - | | ers, two di | tys' not |
| Aug.3 | E | S | OM | Yea | F Fr. | 5 Fr. | H FI. | Lina | CS | 8 Fr |
| ŧ | 0.609 | 1.643 | 3.045
1.865 | 225.0
136.9 | 10.39
6.324 | 2.640
1.607 | 3.458
2.105 | 2209
1344 | 1922
1170 | 64.0
38.9 |
| | 0.326 | 0.536
7.302 | 13.62 | 73.41
1000. | 3,390
46.18 | 0.861
11.73 | 1 128
15.37 | 720.7
9818 | 0.627
8.542 | 20.9
284. |
| QM
YEN | | | | | 10 | 2 441 | 2 229 | 2126 | 1.850 | 61.6 |
| P Fr.
S Fr. | 0.962
0.379 | 1.581 | 2.950
1.161 | 216.6
85.23 | 10.
3.936 | 2541 | 3.328
1.310 | 2126
836.7 | 1.850
0.728 | 61.6
24.2 |
| F Ft. | 0.962
0.379
0.289
0.453 | 1.581
0.622
0.475
0.744 | 0.686
1.388 | 85.23
65.07
101.9 | 3.936
3.005
4.703 | 0.763
1.195 | 1.565 | 638.8
1000. | 0.728
0.556
0.870 | 24.2
18.5
29.0 |

1317-131, 1374-131,

137-134

1317-1311

(11.00 a.m. Asg.3) 3 months US dollars

NEW YORK

Lunchtime

FINANCIAL FUTURES

Short sterling loses ground

SHORT STERLING futures lost ground on Liffe yesterday, responding to a weakening of the pound on the foreign exchanges. September short sterling opened at 86.32 and traded in a narrow range of 86.28 to 86.34, before closing slightly above the day's low at september and state of the contract in mid-September. The cash equivalent of last might's close was about 138 per cent. commared with a value of slightly above the day's low at 86.29 compared with 86.38 pre-

viously. This took the contract below a technical support level of 86.30 and was regared in some quarters as a belated recogni-LIFFE LONG GET FUTURES OFTENS 550,000 648s of 105%

| - 6-6- | Calle and | | Bude east | la-marriet |
|------------|---|---|---|--|
| | | | Line Jer | Dec |
| | _>ep | | 260 | 0-24 |
| | | 2-30 | | 0-39 |
| 94 | | | | |
| 95 | 1-21 | | | ó- 6 6 |
| 96 | 0-43 | | | 1-25 |
| 97 | 0-18 | 1-02 | | 1-60 |
| 98 | 0-06 | 0-54 | 2-00 | 2-38 |
| 99 | 0-02 | 0-30 | 2-60 | 3-24 |
| | | | | |
| Estimated | NOTION TO | 명, 데네. | 5431. Puts 2 | 540 |
| Previous d | ay's open in | t Caib 17 | 720 Parts 25 | 353 |
| | | | | |
| | | | | |
| TEER CO | S COLLEGE | | | |
| C25 000 | cook per | 71 | | |
| 20,400 | | | | |
| Strike | Calleget | tiements | Pots-trett | emerss. |
| | | Sea | Ann | Seg |
| | 14 16 | | 0.06 | 0.84 |
| 156 | 40 10 | | | ŭ 3d |
| | | | | 1 31 |
| | | | | 367 |
| 125 | 2.23 | ñ ió | | 7.42 |
| 1/2 | | 0.10 | | 12.02 |
| 1,5 | | 0.10 | | 16.93 |
| 190 | 0.00 | O.U. | 10.10 | LD.73 |
| F-1 | | | D O | |
| Estimates | ACHIDIS TO | ZU, CAIIS | 7 | |
| PTCMQUSG | ay sopen u | C CHIEF I'M | 17002 | |
| | | | | |
| LOND | าม ก เส | FFE | | |
| | 314 (| . — | | |
| | | | | |
| 28-YEAR | 9% MOTE | HUL GIL | | |
| £50,000 | 32mds of 1 | 00% | | |
| | Class | LE:-b | 1 | Press |
| - | | | | 96-20 |
| 200 | | | | %-16 |
| Dec | 40-03 | 30-00 | 46-U3 | AD-TD |
| | | | | |
| Estimated | volume 13 | H27 (L37) | מסט | |
| Previous s | ay's open | tat. 30691 | GLIOSI | |
| | | | | |
| 7-10 YEA | 8 9% NO | CONAL GO | LT | |
| £50 don | Date of 1 | 16% | | |
| | Previous d LIFFE \$1: £25,000 i Suring Price 150 160 160 175 180 Estumated Previous d LONDO Sep Dec Estimated Previous c 7-10 YEA | Price Seg 93 3-07 94 3-10 95 1-21 96 0-43 96 0-43 97 0-12 196 0-43 97 0-12 197 0-12 | Price Sep Dec 99 13 307 3-30 94 2-10 2-46 94 2-10 2-46 99 1-21 2-62 96 0-43 1-31 97 0-18 1-62 99 0-65 0-44 99 0-65 0-30 Estimated wokarre total, Calls 1 Previous day's open int. Cash 17 150 14 10 14 10 150 150 14 10 14 10 150 150 14 10 14 10 150 150 160 0-70 175 0-70 0-70 0-70 175 0-70 0-70 0-70 0-70 0-70 0-70 0-70 0- | Price Sep Dec Sep 93 3-07 3-30 0-01 94 2-10 2-46 0-04 95 1-21 2-62 0-15 96 0-43 1-31 0-37 97 0-18 1-02 1-12 98 0-06 0-44 2-00 99 0-07 0-30 2-60 Estimated volume total Calls 3431 Prics 2 Previous day's open Int. Calls 17720 Prics 25 LIFFE LIS OPTIONS 225,000 feeds per EIJ Sirilag Calls-settlements Prics-settlements Prics Aug 14 10 14 10 0.00 150 14 10 14 10 0.00 150 14 10 14 10 0.00 150 14 10 14 10 0.00 150 0-10 1-75 1-80 170 0-00 0-10 1-10 180 0-00 0-10 180 0-00 0-10 |

| | SURY BONG
32nds of 1 | | , | |
|-------------------|--|------------------------|-----------------------|----------------------------------|
| Sep
Dec
Mar | Close
94-27
94-22
94-22
d volume 470 | 180-10 | 99-22 | Prev.
100-02
99-29 |
| Previous | day's open is | L 8124 (7 | 947) | |
| | | | | |
| 6% NOT | TONAL GERN
00 100ths of | AN GOVT, | BOKD | |
| 6% NOT | TONAL GERM
60 100ths of
Close
95.74
95 73
95.69 | High
95.97
95.93 | LOW
95.73
95.73 | Prez.
95.99
95.99
95.95 |

| Sep
Dec | 106.36
106.06 | 106.80
106.29 | 106.36
106.03 | 106.70
106.36 |
|-----------------------|---|---------------------------------|--|----------------------------------|
| Estimate
Previous | d volume 953
day's open in | l (689)
al. 1,184 (1 | 046) | |
| | MONTH STER
O points of 1 | | | 75. |
| Sep | Close
86 29 | High
86.34 | 56.28 | Prev.
86.38 |
| Dec | 87,08 | 87.18 | B7.07 | 87.23 |
| Mar | 87,92 | 87 99 | 87.87 | 88.03 |
| Jun | 88 43 | 88.44 | 88.40 | 88.48 |
| | | | | |
| Est. Vol.
Previous | Onc. figs. o
day's open is | ot shown) 2
4. 89748 (| 91192) | 59) |
| Previous
THREE | day's open to
day's open to
wonth Euro
ats of 189% | BOOLLAR | 91192) | 590 |
| THREE I | day's open to
MONTH EURO
mbs of 100%
Close | B9748 (| 91192)
Low | Prev |
| THREE I | day's open is MONTH EURO nis of 169% Close 91.79 | High
91.84 | 91192)
91.78 | Prev.
91.80 |
| THREE ISSUE DEC | day's open is WONTH EURI this of 169% Close 91.79 92.16 92.24 | High
91.84
92.23
92.31 | 91192)
Low
91.78
92.16
92.24 | Prev.
91,80
92,20
92,29 |
| THREE I | day's open is
WONTH EURO
mis of 160%
Close
91.79
92.16 | High
91.84
92.23 | 91192)
Low
91.78
92.16 | Prev.
91,80
92,20 |

| | DM Im po | ints of 100° | * | | |
|------|--------------------------|----------------------------------|-------------------------|-------------------------|----------------------------------|
| five | Sep
Dec
Mar
Jun | 93.19
93.31
93.44
93.48 | 93.27
93.42
93.55 | 93.19
93.31
93.55 | 93.27
93.42
93.55
93.60 |
| _ | Estimated
Previous d | volunte 358
zy's open lot | 7 (5513)
L 14704 (| 40839 | |
| - | FT-SE 100
925 per fa | INDEX
flindex poin | at _ | | |
| 5 | Sep
Dec | 2309.5
2356.0 | High
2324.0 | Low
2305.0 | 2323.0
2369.5 |
| 7 | | volume 309
ay's open in | | 93281 | |
| 5 | POUND-S | (FORETEN 1 | XCHAHGE | | (|
| 20 | 1.6430 | 1-mti
1.636 | 0 1651 | | 12-mth
1.5693 |
| _ | MW-STE | 21.1116 \$s pe | 7 5 | | |
| 2 | Sep
Dec
Mar
Jon | 1.636
1.636
1.598 | 6 1.638
0 1.617 | 1 16338 | 1.6454 |
| - | | | | | |

FT LONDON INTERBANK FIXING

MONEY RATES

Treasury Bills and Bonds

7.50 8.10 7.91 7.79 7.68 7.61

against 100-02. A fall of 0.1 per cent in Juna US leading indica-tors was close enough to mar-ket expectations of a 0.2 per cent decline to have little night's close was about 13H per cent, compared with a value of 13% per cent for three-month

Attention has now focused on today's US employment data, amid forecasts that the rise in July non-farm payrolls will be below the May gain of 180,000, allowing a further eas-ing of the Federal Reserve's money on the interbank mar-US Treasury bonds continued to weaken, with September delivery closing at 99-27 monetary stance.

| TIPE US TREASURY BONG FUTURES OFTENS
\$190,000 6406 of 100% | | | | | LIFFE BRIED FUTCHELS CHTICHS
DE250,000 points at 180% | | | | | |
|---|---|---|---|--|---|--|---|---|--|--|
| Strike
Pitte
94
96
100
102
104
106
Stimated | 5-50
3-57
2-65
0-47
0-13
0-01
0-01 | Dec
6-09
4-33
3-06
1-60
1-11
0-43
0-23
stat. Calls 30
at. Calls 30 | Sep
0-81
0-83
0-15
0-57
2-23
4-13
6-11
175 Pats | 10 ments Dec | Surface
Price
9400
9450
9500
9500
9650
9700
Estimated
Previous d | Sep.
1.75
1.28
0.82
0.44
0.18
0.06
0.02
wolgang to | Dec
1.97
1.59
1.26
0.96
0.72
0.52
0.52
0.53
0.54, Calls 13 | Puta-se
Sep
0.01
0.04
0.05
0.20
0.44
0.82
1.29
2395 Puta 1 | 0.24
0.34
0.53
0.77
0.99
1.29
1.63 | |
| IFFE CL | nobella
s of 1881 | R OF TENES | - | | 13FPE SI | 087 STES
points of | Line of T | toes | | |
| Strike
Price
9125
9150
9155
9200
9225
9235
9235 | 957
0.57
0.35
0.17
0.07
0.03
0.04
0.00 | 0.60
0.44
0.30
0.19
0.44
0.30
0.19 | Sep
0.03
0.86
0.13
0.28
0.49
0.72
0.96 | tziements
Dec
0 09
0 13
0 19
0 28
0 39
0 53
0 71 | Strike
Price
8600
8625
8650
8675
8700
6725
8750 | Sep
0.39
0.22
0.13
0.07
0.03
0.02
0.01 | Dec
1,21
1,01
0,82
0,55
0,50
0,37
0,28 | Pres-se
Sep
0.10
0.18
0.34
0.53
0.74
0.98
1.22 | 0.13
0.15
0.24
0.32
0.42
0.54 | |
| Extinated
Precious C | TOLETTE TO
By's Open in | stal, Catis i
pt. Catis 59 | 93 Pats 64 | 58 | Previous o | izy's open | int. Calls 2 | 1923 Pets 1 | 2235 | |
| PHILADEI
E31,250 (| PHIA SE | SIS OF THE | 286 | | | | | | | |

| Price Apy Set
1575 6.55 6.99
1402 2.32 3.11
1450 6.90 2.02
1475 0.30 1.15
1.700 0.05 0.59
1.725 0.01 0.25 | 7.13 | Dec | Aug. | 5 | | |
|---|---------------|---|--|---|--|---|
| 1.700 0.05 0.51
1.725 0.01 0.25
revious day's oper las: Catis 360
revious day's volume: Catis 18,6 | .109 Puts 421 | Dec
7-51
5-73
4.33
3.19
2.29
1.70
1.18
493 (All carren
(All carren | Asq
0.02
0.08
0.44
1.45
3.18
5.44
7.86
reacted | 5.00
0.53
1.10
1.96
3.17
14.52
6.76
8.92 | 0d:
116
1.95
2.95
4.22
5.86
7.73
9.78 | Dec
2-52
3.75
4.75
6.70
17.83
9.65
11.57 |

| | SURY BONDS
32nds of 100 | | 6 | | | SE YEN COUNTY
PER Y100 | | | • |
|--|--|--|--|--|--|---|--|--|--|
| See
Dec
Mar
Jun
Seo
Dec | 100-04
99-29
99-20
99-30
98-30
98-21
98-08 | High
100-08
100-81
99-22
99-22
99-30
98-21 | 99-29
99-23
99-14
99-04
98-26
98-16 | Prev.
100-04
99-30
99-20
99-09
98-31
98-21 | Sep
Dec
Mar
Jun | 0.7356
0.7409
0.7465 | High
0.73/3
0.7423
0.7470 | 0.7355
0.7409 | 0.745
0.745
0.745
0.750 |
| Mar
Jind | 96-08 | 98-08 | 98-06 | 98-11 | DEUTSCH
DM125,0 | E MARK (BIG)
64 S per DM | Ď | | |
| Sep
Dec
Mar | | = | : | 97-23
97-13
97-03 | Sep
Dec
Mar | 0.5390
0.5409
0.5435 | 0.5405
0.5422
0.5438 | 0.5390
0.5409
0.5435 | 0.5400
0.5411
0.5430 |
| | SURY BILLS
Is of 100% | (DA)AD | | | | | | | |
| Ser | Latest
92.84 | High
92.87 | 92.81
93.34 | Pres.
92.88 | THREE-M
Slaw point | HONTH EUROS
ds of 100% | | (MC) | |
| Mar
Jan
Sep | 93.46
93.46
93.40 | 93.43
93.46
93.42 | 93.34
93.46
93.39 | 93.41
93.48
93.36
93.24 | Sep
Dec
Mar
Jun
Sep
Dec
Mar
Jun | Unest
91.80
92.20
92.27
92.17
92.01
91.79
91.73
91.68 | High
91.82
92.24
92.32
92.30
92.06
91.81
91.74
91.69 | 91.78
92.18
92.18
92.17
92.01
91.79
91.72
91.67 | 91.83
92.33
92.10
92.00
91.80
91.70 |
| | UNIC (UNIV)
100 S per SF¢ | | | | STANDAR
3500 No | to & POPRS 5
es index | M BUDEK | | - |
| Seo
Dec | Latest
0.6266
0.6285 | High
0.6282
0.6302 | 0 6262
0 6285
0 6310 | Pres.
0.6269
0.6291
0.6311 | Sep
Dec
Mar | Latest
347,35
351,40
355,10 | 347,60
351,40
353,10 | 346,45
350,45
354,40 | Prev
347,2
351,10
354,9 |

BASE LENDING RATES ABN Baok Astem & Company AAB - Allied Arab Bk Allied Irish Baok Henry Ansbacher Clydesdale Bank 14 Coonn. Bit. N. East 14 Co-operative Bank 214 Cootts & Co 14 Crprus Popelar Bit 14 Banbar Bank PLC 14 Dencan Lawrie 14 Espatonial Bank pic 14 Exeter Frist Ltd 14 First Rational Bank Pic 15 Robert Fraser & Pters 14 Robert Fraser Associates Cap Corp Anthority Bank 8 & C Merchant Bank Bank of Baroda Banco Bilbeo Vircaya Standard Chartered 14 TSB 14 United Bk of Kowait 14

| Bank of Cypris | 17 | Robert Fraser & Phors 144 | United Bk of Kowait 14 |
|---------------------|-----|----------------------------|--|
| | | | |
| Bank of Ireland | | Girobask 14 | United Mizzabi Bank 14 |
| Bank of ladia | | ● Golnness Mahon 14 | Unity Trust Bank Pic 14 |
| Bank of Scotland | 14 | HFC Bank ptc 14 | Western Trast |
| Banque Belge Ltd | 14 | Hambros Bank 14 | Westpac Bank Corp 14 |
| Barclays Bank | 14 | Heritable & Gen inv Bok 14 | Whiteaway Laidlaw 14 |
| Benchmark Bank PLC | 14 | Hill Samuel | Yorkshire Bank 14 |
| Berliner Back AG | 14 | C. Hoare & Co 14 | A TOTAL COMPANY |
| Brit Bk of Mid East | 14 | Hoogkons & Shangh 14 | |
| Brown Shipley | ũ | Leopold Joseph & Sons . 14 | Members of British Merchan |
| Business Milce Tst | | | |
| | 147 | | Banking & Securities House |
| CL Bank Nederland | 14 | Megkraj Bank Ltd 14 | Association. * Deposit, now 5.9% |
| Central Capital | 14 | McDoniell Douglas Bak 14 | Savewise B.5 %. Top Tier-£10,000 |
| Charterhouse Bank | 74 | Midland Bank 14 | instant access 12.8% & Mortgan |
| Citibank NA | 14 | Mount Banking 14 | base rate. § Demand deposit 9% |
| | | | Marc Latter & October Architect & M |
| City Merchants Bank | 14 | Nat Bk. of Kowait 14 | Mortgage 13.25% - 15% |
| | | | |

EUROPEAN OPTIONS EXCHANGE

| | | Alle | - 69 | . No | . 69 | Feb | , 90 | - | |
|--|--|--|---|--|--|-----------------------------------|--|--|--|
| Seri | Series | | Lant | Vol | Last | Vol | Last | Stock | |
| Gold C
Gold P | \$ 370
\$ 370 | 192
100 | 3.50 | 10 | 8 | | = | \$ 369.80
\$ 369.80 | |
| | | Aug | g. 89 | Sep | . 89 | Dict | . 89 | | |
| EQE Index C
EQE Index C
EQE Index C
EQE Index C
EQE Index C
EQE Index C
EQE Index P
EQE Index P
EQ Index | E. 300
E. 315
E. 325
E. 325
E. 326
E. 325
E. 326
E. | 735
273
316
516
125
183
469
280
195
133
23
34
60 | 21.50
11.50
7.50
4.20
4.20 \$
1.20 \$
1.90
3.80
6.30
10.20
2.40
6.80
2.40 | 5
61
35
174
21
7
625
139
11
48
90
126
53
60 | 23
13.70
10.50
7.30
7.30
3.60
3.70
10
 | 912
113
216
12
14
 | 25
17
10.90
5.80 5
1.80 7
10.50
4.90 a | FI, 320.81
FI, 320.81 | |
| | | Oct. | L 89 | Jac | . 90 | Apr | . 90 | | |
| ABN C ABN P ABN P Acgan C Acgan P Ahold C Akzo C Akzo P Anner C | FI. 45
FI. 45
FI. 100
FI. 95
FI. 150
FI. 150
FI. 60
FI. 55 | 283
145
547
118
57
968
276
346
58 | 2.10
1.80
9.20
0.40
7.30
4.40
6.10 | 104
11
2
-
139
26
14 | 7.90
8.20
2.60 | 38 17 15 8 3 | 4.10
2.40
11.50
8.20
3.80
3.20 | Fl. 45.80
Fl. 45.80
Fl. 108.90
Fl. 132.60
Fl. 132.60
Fl. 146
Fl. 146
Fl. 56.60
Fl. 56.60 | |

| Fed.famis at Intervention | 85 Tw | 10 Jear | | 7.61 30-yea | | | S/FI C
S/FI P | F1 225 | 333 | 0.80 a | 90
126
53
60 | 3.70 | 4 | 4.90 a | FI. 210
FI. 210 |
|---|---|--|---|---|---|---|--|--|---|---|--|--|--------------------------|-----------------------|--|
| Aug.3 | Overnight. | One
Month | Two
Months | Three
Mosths | Six
Months | Loraberd
Intervention | S/FIP
S/FIP | Fl. 235
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4th September 1989

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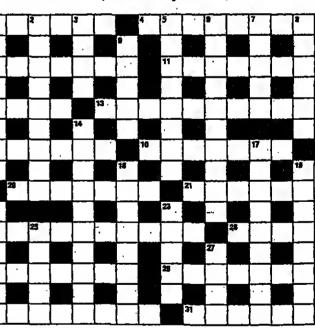
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Prices taken at 5pm and change is from previous close at 9pm

JOTTER PAD

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ACROSS 1 Cash difference? (6) 4 Quarters for six can appear much to be desired (8) 10 Falls back again with artist

(7) 11 Study group remains unsure (7)
12 Regret investing 500

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- that's rough (4)
13 What a heavy drinker needs, first to last, to become self-willed (10)
16 False rumour joker spread about a name (6)
16 Mean to have the girl in time (7)

time (7)
20 Fatty taking a bathe is nothing to look ut, mostly (7)
21 Trust a crooked man? (6)
24 Khayyam's sold for a song

(10) 26 Like one going to a distant land (4) 28 Preserve the same old city sincerity (7)

30 Pack sands poor mutt back for kindling to start fire (8)
31 Florid painting gets returned to dealer (6)

DOWN

1 Sort of bridge that might shrink? (B)

2 A group on the journalist's left (9)

3 Happy in these rags? (4)

5 Having sniffed around, one has, so to speak, taken the plunge (4-1)

incurring debts (10)

17 A little Greek donkey for a pound, plus pasturage (9)

18 Man keeps broken toes secret (8)

19 Terribly storn air of one to whom effort doesn't come cosily? (8)

22 The tradesman is sounding more coarse (6)

23 Fatigued and drilled (5)

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6 Upset tummy? -- air it; it's a

minor condition (10)
7 Music producer seen in sub-

urban job-centre (5) 8 Infuriate general – almost

hopping (6)

Women's quarters are to be gone round by the Queen (5)

When favourable it should

be given support to start incurring debts (10)

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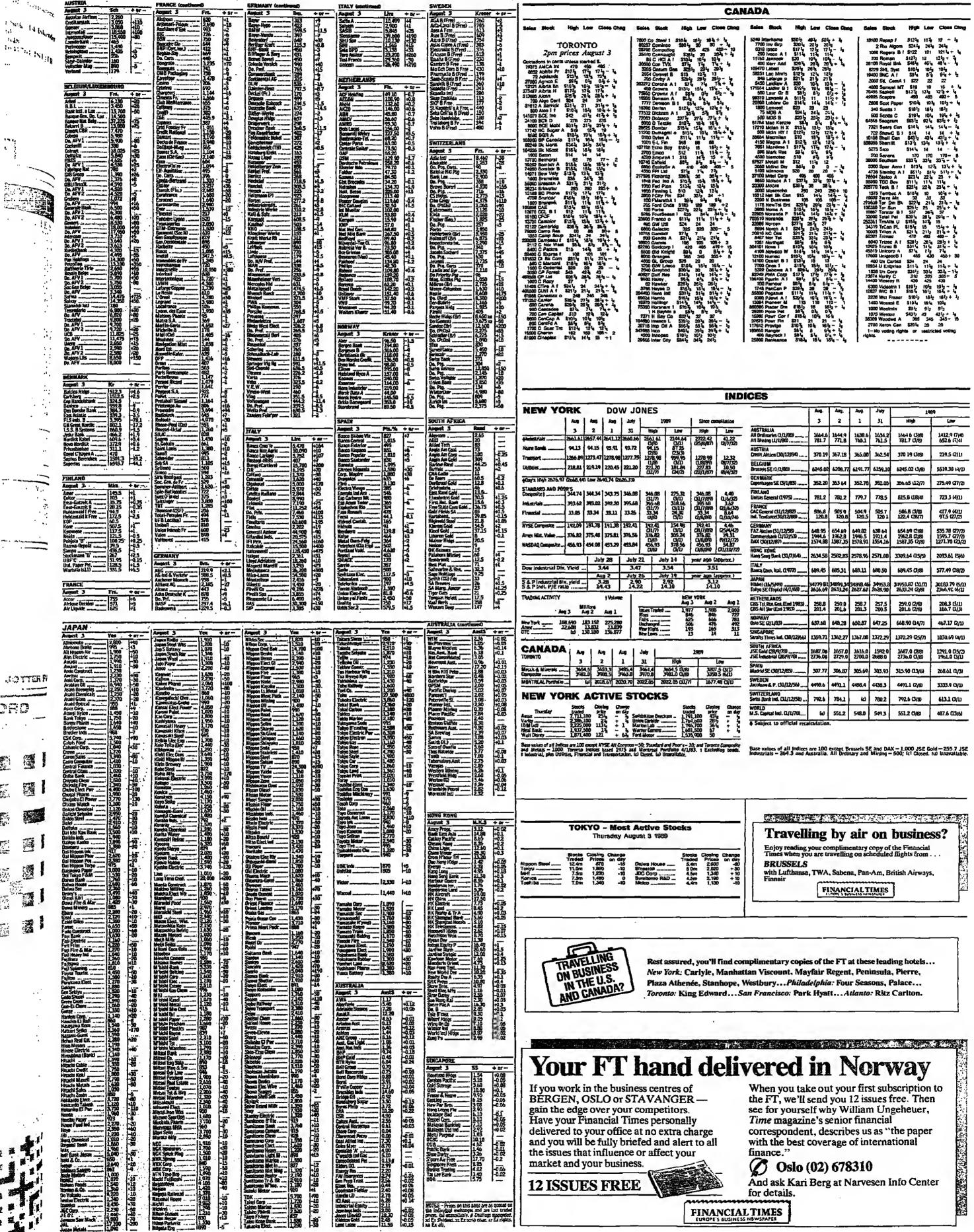
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FINANCIAL TIMES

YORK STOCK EXCHANGE COMPOSITE PRICES

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It's attention to detail the providing the Financial Times to business

Trade cautious before jobs figures

WITH attention on Wall Street firmly focused on today's release of July's unemployment data, yesterday's equity market was narrowly mixed in cautious trading, writes Karen
Zagor in New York.
The Dow Jones Industrial

Average rose 4.17 points to close at 2661.61. Volume was moderate, with 170.3m shares changing hands on the New York Stock Exchange. Advancing issues outpaced those declining hy 849 to 623.

Among other important indi-ces the Standard & Poor's 500 closed up 0.4 points at 344.74, the NYSE Composite was up 0.31 points at 192.09 and the Among featured issues, AMEX Composite was up 1.34 Home Shopping Network

The 0.1 per cent drop in June's leading economic indi-

hond down a of a point.

cators was too modest to move yesterday's markets. The July employment figures, released this morning, will provide the first hroad-hased look at the economic environment in July. If the increase in non-farm payroll is widely different from the expected 158,000, both hond and stock markets will react accordingly.

points at 376.82.

The NASDAQ Composite rose 2.85 to 456.93, an all-time

In the deht market, profit-taking before the important employment data pushed the Treasury's benchmark 30-year

recouped some of its losses to trade up \$¼ at \$3%. Shares in the company had fallen \$1 on Wednesday after a Florida court ordered the company to pay \$20m to GTE.

Amay the natural resources

Amax, the natural resources group, lost \$3% at \$25%. The company has hid \$2.38bn for Falconhridge, the diversified

Canadian mining company.
British Airways dropped \$1½
to \$32½ on the New York
Stock Exchange, in spite of an
increase of 18.5 per cent in first
quarter pretax profits.
Bullish reports from analysts
helped push Walt Disney
shares to new highs, at \$120½,
un \$6½.

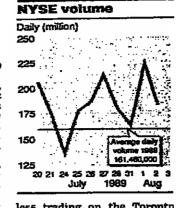
up \$6%.
Ashland Oil added \$1% to \$38%, Nicor gained \$1% to \$38% and Oracle Systems jumped \$1 to \$16%. All three

benefited from being added to the S&P 500 index. Warner Communications, ASA Limited and Ideal Basic Industries were removed from the S&P 500. All three have agreed to he taken over. Warner was up S% at \$66%, ASA was down \$\%\$ at \$43\%\$ and \$45\%\$ a Ideal Basic plunged \$12 to \$1%. Boeing fell \$1/4 at \$50%. It is being investigated for allegedly

overcharging the US Department of Defense. Di Giorgio, a food packing company, leapt \$31/4 to \$31/4 after receiving a takeover offer of \$32-a-share.

Canada

THE key Bank of Canada rate rose to 12.40 per cent from 12.36 per cent, contributing to list-



less trading on the Torontn stock market which closed flat with the composite index up 0.5 at 3,981.0. Advances out-

paced declines, 325 to 311, on volume of 28m shares.
Cineplex Odeon rose C\$% to C\$14% after gaining C\$% on Wednesday, when it said it was reviewing potential buyers.

ket, adding 36.25 points to end at 6,245.02. Sofina, seen as an undervalued situation, once

again led the rally with a rise of BFr725 to BFr14,475 after a BFr825 gain on Wednesday.

PARIS continued to consoli-date, with the indices ending slightly weaker and volume

estimated hy one house at

estimated by one house at FFr1.5bn-FFr2bn. Bnt the opening CAC General index, reflecting the previous day's trading, pushed ahead to another high of 506.8, up 0.9.

Among the few features, Elf Aquitaine lost FFr9 to FFr495 on heavy trading of 158.000

on heavy trading of 158,000 shares; weaker oil prices were blamed for some of the selling. Eurotunnel shed FFr3.60 to FFr90.10 in active turnover fol-

lowing news of the inquiry into

heavy trading in the stock last month in the run-up to the announcement that the group

was seeking additional cash. The OMF 50 index was off 1.55 at 513.17 and the CAC 40

index closed 3.18 lower at

fourth day running, again helped by strength in the bank-

MADRID firmed for the

Rally by Fiat pushes Milan into higher gear

at work in many other bourses, writes Our Markets Staff.
MHLAN rose to another high

as stroog interest in Fiat took over from initial fears that the large volume of call options on the car company's stock would he exercised, and depress the cash market before next Fri-

day's expiry date. The market easily absorbed the selling and, having closed L54 higher et L11.252, Fiat rallied to L11,390 in husy after-hours trading. There were thoughts that Fiat could be executing part of the L1.000hn stock buy-back programme approved at the end of June. Meanwhile, Pirelli & C, the holding company of the Pirelli family, rose L276 to L9,186 on

rumours of a major shareholding reshuffle. Banca Commerciale Italians rallied L164 to L5.470, while Credito Italiano added L25 to close at L2,844. Speculators are still buying banks in anticipation of a possible realignment in the sector. was uo 4.14 to 685.31, a gain of

At the close, the Comit index 13 per cent since the end of May. Mr Roberto Morelli of

FIAT shares led a strong rise County NatWest WoodMac trading, with Bayer, the most in Milan, but profit-takers were notes that Italian unit trusts, active issue, gaining DM9 to in July, saw their lowest net outflow of funds for two years. Within that, equity funds have seen their first net inflow and this, he thinks, could be the turnround. "If the improvement is sustained," he says, "we expect to it to encourage foreign investments into the

FRANKFURT slipped hack as profit-taking gathered pace after two days of strong rises. The sellers ware mostly nimble footed professional traders and domestic fund managers looking to the short-term, said

Deutsche Bank, which had experienced a good run over the last month, fell 2 per cent, losing DM14.50 to DM673. It reported an expected 20 per cent rise in group total operating profit and a 42 per cent gain in parent partial operat-ing profits in the first half. The bank said a rise in commission earnings from its equities and bonds business had contributed to the profits gain.

Chemical issues, which underperformed last month, rose against the trend in heavy

active issue, gaining DM9 to DM311, BASF up DM6.10 et DM297.40 and Hoechst adding DM3 to DM303.50. The analyst said that some buyers had spotted that the dividend yields of the big chemicals looked attractive compared with hond yields.

Linotype, the typesetting equipment maker which reported a 27 per cent increase in first-half group net profits, fell DM12 to DM756. The company predicted a good full year, but suggested second-half growth might not be as strong as in the first half.

The DAX index lost 12.47 to 1,574.88 and the FAZ index eased 5.74 to 648.95. Turnover was a little lower but still very active at DM6.6hn

ZURICH pushed up again with renewed enthusiasm for industrials. However, the insurance sector experienced scattered profit-taking, suggesting to some observers that few investors are willing to accelerate heyond the cautiously upward gait which they have adopted since the beginning of June.

The Crédit Suisse index

the 640.7 last computed on Monday, partly due to Tues-day's holiday, and partly to technical problems.

AMSTERDAM eased on prof-

it-taking after a good start and Akzo lost Fl 110 of its early gains to close at Fl 145.90, up 50 cents. The chemical company posted a 14 per cent increase in first half net profits before the start of trading, forecast "substantially higher" earnings for the year and was the most actively traded stock.

OSLO fell on worries about fluctuating oil prices and fur-ther consideration of company results, and the composite index dropped 6.49 to 499.62. Analysts said that last week's Norsk Hydro results had started the rot, and that Wednesday's figures from Elkem and Dyno industrier were not as good as they locked, due partly to distortion hy capital profits, "The Oslo market has risen 45 per cent this year, and now we may be at a turning point," said one

BRUSSELS, on the other hand, reached its fourth consecutive high on the cash mar-

ing sector. The general index edged up 0.90 to 307.77. SOUTH AFRICA

FOREIGN investors helped pnsh Johannesburg higher, although profit-taking trimmed gains. Gold and platinum issues were strong

Zimbabwe's confidence survives issue surprise

But rising inflation may mean the bull market is running out of steam, writes Tony Hawkins

HE DISAPPOINTING — reflecting the revaluation of partial subscription last — assets and earnings in local month to the public currency terms as the Zimoffering in Tabex, a leading — babwe dollar depreciates. tnhacch company, comes as Zimbabwe shares are enjoying

They took off in the second half of 1987, shrugged off the October crash, and have barely paused for breath since. Although the failure of the Tabex issue surprised the mar-ket, there are signs that the best may soon be over.
The industrials index, com-

The industrials index, comprising 48 companies, moved sharply higher immediately after independence in April 1980 to reach a peak of 487 in February 1981. It then went into prolonged decline, reflecting the doubling of interest rates, growing doubts over the Mugabe Government's economic policies, successive nomic policies, successive droughts and world recession,

Institutional funds have grown as more people have joined pension schemes. Equity and property investment is also encouraged by a policy of negative real interest rates.

reaching a low of just over 100 in August 1984. Two years ago, the index had recovered to the 320 level, and since then it has more than doubled, breaking the 700 barrier in early July.

There are three main rea-

sons for the recent strength the devaluation of the Zim-babwe dollar, excess market liquidity and improved corpo-

ago, the market was capitalised at Z\$935m (then U\$\$1.45bn), plummeting to Z\$225m in mid-1984 but currently standing at Z\$1,93bn (now US\$300m). While its Zim-babwe dollar valuation has more than doubled since 1980, capitalisation in US dollars has declined by almost 40 per cent

There is no simple measure of market liquidity, but the volume of funds seeking an investment home remains very large. This is in spite of heavy domestic funding of the Government's 2\$1.2bm budget deficit, and central bank actions to sterilise excess liquidity through the issue of non interest-bearing, non-negotiable Reserve Bank bills. Liquidity has been further boosted by a has been further boosted by a 19 per cent rise in exports last year and a budget deficit that

exceeds 11 per cent of gross domestic product. Institutional funds have grown as more people have joined pension schemes or taken out life insurance poli-cies. Equity and property investment is also encouraged hy a policy of negative real

Corporate pre-tax profits of 44 of the 48 listed industrial companies have trebled since 1984, reaching Z3360m last year. However, results for this year so far show a marked slowdown in profit growth from 20 per cent in 1988 to only 4 per cent, suggesting the bull market could start to lose

When profits were at their lowest in 1984, the gross dividend yield (before 20 per cent shareholders' tax on dividends) rose to 22 per cent. Since then, the market recovery has com-fortably outpaced dividend growth, so that by mid-1989 the average yield on industrials was down to 6.8 per cent -roughly half the official infla-tion rate, which even government ministers acknowledge substantially understates the

true rate of price rises.

The corporate profit perfor mance is much distorted by inflationary pressures, exag-gerating profitability on the one side, and by tight government price controls - partially eased in mid-July - on the other.

However, ZSE figures show that, when adjusted for infla-tion, the total assets of the 44 industrial companies are no higher than in 1980. This could simply mean that companies

Zimbabwe S.E Maries capitalisation (Zimbabwe \$ billion) 100 PM 100

are failing to revalue their assets in line with inflation in the capital goods market, which is far higher than retail price inflation; but more ominously it could mean that they

19RO R2 84

are not renewing and updating their capital stock. Either way, the return on capital employed looks fraulle, since it would be lowered by both revaluations of capital and heavy new investment in

In spite of the Taber setback other new and rights issues are going ahead and the issue mar-ket seems set to enjoy its most active period alnce indepen-

he downside is that as inflation gathors momentum, the authorities will have to tighten their monetary stance. This, together with a long-promised trade liberalisation strotegy and financial deregulation. could change the market situa-tion radically. Yields are already well below

the inflation rate and, more importantly, with Inflationary expectations on the rise, this gap is widening. As more new issues come forward over the next year, as profits become harder to earn in a more compatible according to the profits of the results of the petitive economy and as mono-tary policy is tightened, so the bull market is likely to run out

The big question is whether a market downturn will undermine the flow of new aud rights issues or be delayed until after the new paper has been safely absorbed.

Profit-taking sets in as enthusiasm wanes

Tokyo

BUYING enthusiasm fizzled out as the market failed to provide investors with further incentives, and share prices retreated on a bout of profit-taking, writes Michiyo Naka-moto in Tokyo.

The Nikkel average suffered from selling by index funds towards midday and finished 119.53 lower at 34,779.81. The day's high was 34,929.53 while the low was 34,699.47.

Losses far outpaced gains hy 600 to 322, while 173 issues were unchanged. Turnover slipped to a sluggish 501m shares from the 817m traded on Wednesday. The Topix index of all listed shares dropped 16.55 to 2,616.69; in London trading the ISE/Nikkei 50 index eased 2.68 to 2,061.08.

A lack of incentives led investors on a round of small-lot selling. In spite of dealers' efforts to talk up the improving economic environment, the mood was decidedly less cheerful than it had been during the rally last week, immediately after the national election to

the Diet (parliament). Forecasts were still hullish, as the yen-dollar rate was expected to be fairly stable for some time and the stronger yen was likely to lead to lower short-term interest rates in the near future. Analysts also pointed to the huge amount of

investors' funds still available, which should eventually find their way into the market. Profit-taking saw many issues which had made strong

gains recently lose ground. Railway company Tokyu Corp. which had gained almost 20 per cent in the past two weeks partly because of speculation that shares that had belonged to the late chairman would be returned to the company, lost Y10 to Y1,860, it was the second most actively traded stock

with 11m shares. Non-life insurance compa-nies failed to sustain their rally of the previous day, with Nippon Fire and Marine and Yasuda Fire and Marine each falling Y10 to Y1,380 and Y1,540

Buying interest focused on laggards, particularly in the high-technology sector, or was speculative. Among the laggards, Kyocera rebounded Y60 to Y6,320 after falling 7 per cent from its year's high of Y6,740, reached last week. Shiseido, the cosmetics com-

pany. attracted considerable interest as a laggard and appeared on the list of 10 most active issues. It has a price/ earnings ratio of 50, low for the market, and has been in the doldrums since the autumn of 1987. Yesterday it breached Y2,000 for the first time in 15 months, closing up Y30 at

Interest in issues with spe-

cific incentives supported a 45.40 point gain in Osaka that lifted the OSE average to 34,228.29. Volume fell to 51m shares from 71m. Nintendo surged Y900 to Y1.3700 on the strength of strong sales of television video games.

Roundup

INTEREST rate cuts and a flurry of interest in resource stocks contributed to highs in several Asia Pacific markets. HONG KONG powered through the 2,600 barrier yesterday, the Hang Seng index surging 51.75 points to 2,634.58 on speculation about an imminent interest rate cut, and growing confidence in the local economy. The index is still

more than 40 points below its pre-June 4 levels. Property shares continued to register the sharpest advances, Sun Hung Kai rising 40 cents to HK\$10.80, Hongkong Land 20 cents to HK\$8.45 and Cheung Kong 20 cents to HK\$8.35. Wharf Holdings, which won the colony's cable TV franchise on Tuesday, continued its roll, moving up 10 cents to HK\$3.05. Cathay Pacific Airways, which announced a marketing alliance on Wednesday with American Airlines of the US, rose 20 cents to HK\$8.65.

AUSTRALIA climbed back to where it wes almost a year ago. moving to a post-crash high as offshore buying pushed mining and resource issues sharply higher before a late bout of profit-taking. The All Ordinaries index closed 19.7 points higher at 1,664.6 against a previous post-crash high of 1,657.1 on August 9, 1988. The US\$2.4bn Amax bid for

the Canadian mining concern, Falconbridge, sparked the surge in resource issues, while perception that domestic interest rates have peaked is also boosting investor confi-dence. Turnover jumped to 146m shares valued at A\$323m from 101m and A\$226m.

Among mining issues, CRA jumped 21 cents to A\$10.15 and lts subsidiary, Bougainville Copper, added another 5 cents to A\$2.15.

NEW ZEALAND shot up, the points to a post-crash high of 2,127.48 in heavy turnover, on last week's budget statement and the fall in interest rates which followed it.

Turnover climbed to NZ\$54m from NZ\$31m on Wednesday. Brierley investments surged another 11 cents to NZ\$2.10 TAIWAN's weighted index rose 143.98 to 9.807.58 after its increase of 190.65 on Wednes-day. It surged above the 9,900 level six times yesterday, but failed to stay above it. SINGAPORE eased as profit-

taking wiped out early gains, with the Straits Times Indus-trial index ending 2.56 lower at



There's a new name in some familiar places.

From Orlando to York, Jersey to Houston, there's a new name appearing on the

Buckingham International PLC (formerly Leisuretime International PLC).

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Objectives aimed at expansion in the United Kingdom, United States and Continental Europe - through organic growth and acquisitions.

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BUCKINGHAM

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FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIINAL ANII
REGIONAL MARKETS | | THU | RSDAY AU | GUST 3 190 | 19 | | WEDNESDAY AUGUST 2 1989 DOLLAR | | | | | |
|---|-----------------------|-----------------|----------------------------|----------------------------|-------------------------------------|------------------------|--------------------------------|----------------------------|----------------------------|--------------|-------------|------------------------|
| Figures in parentheses
show number of stocks
per grouping | US
Dollar
Index | Day's
Changa | Pound
Sterling
Index | Local
Currency
Index | Day's change
% local
currency | Gross
Olv.
Yisid | US
Dollar
Index | Pound
Sterling
Index | Local
Currency
Index | 1989
High | 1989
Low | Year
ago
(approx |
| Australia (85) | 147.10 | +0.8 | 132,74 | 127.34 | +0.8 | 4.68 | 145.93 | 130.06 | 126.27 | 157.12 | 128.28 | 149.00 |
| Austria (19) | 134.30 | + 0.6 | 121.19 | 130.18 | + 1.4 | 1.87 | 133.48 | 118.96 | 128.40 | 134.30 | 92.84 | |
| 3algium (63) | 137.93 | +0.0 | 124.46 | 133,17 | + 0.9 | 4.11 | 137.97 | 122.96 | 132.01 | | | 86.14 |
| Canada (124) | 151.95 | + 0.4 | 137.12 | 128.90 | +0.0 | 3.10 | 151.39 | | | 137.97 | 125.58 | 113.60 |
| Denmark (36) | 215.79 | - 1.8 | 194.72 | 212.78 | -0.8 | 1.47 | 219.30 | 134.92 | 128.86 | 151.95 | 124.67 | 123.7 |
| | 143.41 | -2.1 | 129.41 | 126.41 | - 1.6 | 2.16 | | 195.45 | 214.53 | 219.69 | 165.35 | 125.0 |
| inland (26) | 132.38 | | | | | | 146.44 | 130.51 | 128.52 | 159.16 | 125.61 | 128.7 |
| rance (127) | | -0.8 | 118.45 | 131.29 | +0.0 | 2.89 | 133.44 | 118.82 | 151.29 | 133.44 | 112.57 | 92.7 |
| Vest Germany (100) | 98.84 | - 1.7 | 89.19 | 95.89 | - 0.9 | 2.18 | 100.53 | 89.60 | 96.77 | 100.53 | 79.56 | 74.9 |
| long Копа (48) | 110.78 | + 1.8 | 99.95 | 111.01 | + 1. 6 | 4.86 | 108.85 | 87.01 | 109.09 | 140.33 | 86.41 | 108.5 |
| reland (17) | 158.05 | -0.7 | 142.62 | 155.84 | + 0.2 | 2.69 | 159.12 | 141.82 | 155.54 | 159.12 | 125.00 | 132.5 |
| taly (87) | 94.25 | - 0.6 | 85.05 | 94.62 | + 0.5 | 2.37 | 94.79 | 84,48 | 94.17 | 94.79 | 74.97 | 72.5 |
| apan (455) | 192.38 | — 1.3 | 173.60 | 166.48 | -0.7 | 0.48 | 194.68 | 173.69 | 167.68 | 200.11 | 164.22 | 167.6 |
| Malaysia (36) | 190.18 | -0.2 | 171.62 | 195.07 | -0.2 | 2.47 | 190.58 | 169.85 | 195.50 | 190.58 | 143.35 | 152.8 |
| dexico (13) | 265.22 | + 1.4 | 239.33 | 736.55 | + 1.6 | 0.68 | 261.55 | 233.10 | 724.91 | 277.40 | 153.52 | |
| letherland (43) | 129.41 | - 1.0 | 116.78 | 124.33 | -0.1 | 4.16 | 130.87 | 116.46 | 124.49 | 130.67 | | 155.8 |
| lew Zealand (21) | 74.98 | +4.5 | 67.58 | 66.32 | + 3.8 | 5.62 | 71.82 | 64.01 | | | 110.63 | 106.9 |
| orway (24) | 181.21 | -24 | 163.52 | 166.48 | - 1.7 | 1.53 | 185.63 | 185.44 | 63.88 | 78.02 | 62.64 | 81.5 |
| Singapore (26) | 167.65 | -0.2 | 151.28 | 150.35 | - 02 | 1.89 | 168.02 | | 171.46 | 198.39 | 139.92 | 120.2 |
| South Africa (60) | 153.16 | +1.0 | 138.21 | 139.21 | + 1.0 | 5.87 | 151.67 | 148.75 | 150.68 | 169.43 | 124.57 | 134.1 |
| Spain (43) | 157.57 | - o.a | 142.18 | | | | | 135.17 | 137.85 | 153.27 | 115.35 | 115.9 |
| | | | | 138.78 | + 0.5 | 3.70 | 158.02 | 140.84 | 139.05 | 158.02 | 143.14 | 148.5 |
| Sweden (35) | 186.63 | - 0.8 | 168.41 | 176.41 | +0.1 | 1.95 | 187.77 | 167.35 | 176. 2 4 | 187.77 | 138,45 | 118.1 |
| Switzerland (64) | 92.84 | +0.1 | 83.78 | 92.47 | + 1.0 | 2.04 | 92.78 | 82.69 | 81.58 | 92.84 | 87.81 | 78.4 |
| Jnited Kingdom (311) | 156.33 | - 1.3 | 141.07 | 141.07 | -0.1 | 4.12 | 155.41 | 141.18 | 141.18 | 158.41 | 133.28 | 133.7 |
| JSA (552) | 140.38 | +0.2 | 126.67 | 140.38 | +0.2 | S.24 | 140.14 | 124.90 | 140.14 | 140.75 | 112.13 | 110.9 |
| urope (1005) | 131.21 | - 1.1 | 118.40 | 123.19 | -0.1 | 5.33 | 132.62 | 116.20 | 123.26 | 132.62 | 112.63 | 106.0 |
| lordic (121) | 17 6 .17 | - 1.2 | 158.96 | 182.27 | -0.6 | 1.74 | 178.38 | 158.98 | 163.14 | 178.38 | 167.85 | 113.6 |
| Pacific Basin (672) | 1 6 7.54 | - 1.2 | 169.23 | 162.81 | -0.6 | 0.89 | 189.78 | 169.10 | 163.80 | 194.72 | 160.44 | 184.5 |
| uro - Pacific (1877) | 165.10 | - 1.1 | 148.98 | 146.91 | -0.4 | 1.55 | 166.98 | 148.82 | 147.54 | 166.98 | 141.56 | |
| orth America (676) | 140.97 | +0.2 | 127.20 | 139.67 | + 0.2 | 3.23 | 140.71 | 125.41 | 139.45 | 141.18 | 112.79 | 141.1 |
| urope Ex. UK (694) | 115.27 | - 0.8 | 104.01 | 112.16 | +0.0 | 2.73 | 116.28 | 103.94 | 112.19 | 116.28 | 96.30 | 111.5 |
| acitic Ex. Japan (217) | 129.53 | + 1.2 | 116.88 | 116.98 | + 1.2 | 4.49 | 126.05 | 114.12 | 115.66 | | | 88.9 |
| Vorid Ex. US (1674) | 164.59 | - 1.1 | 148.52 | 1-16.45 | -0.4 | 1.62 | 168.35 | 148.28 | 147.03 | 197.65 | 111.93 | 127.8 |
| Vorld Ex. UK (2115) | 154.72 | - 0.6 | 139.62 | 144.68 | - 0. 4
- 0.2 | 1.94 | 155.68 | | | 168.35 | 141.49 | 140.3 |
| Vorld Ex. Sc. Af. (2366) | 154.86 | -0.7 | 139.74 | 144.36 | - 0.2
- 0.2 | 2.15 | 155.92 | 138.73 | 145.02 | 155.86 | 138.98 | 128.4 |
| World Ex. Japan (1971) | 137.10 | -0.2 | 123.71 | | | | | 138.96 | 144.69 | 155.92 | 136.67 | 129.0 |
| | | | | 133.11 | +0.1 | 5.32 | 137.40 | 122.46 | 132.94 | 137.40 | 114.51 | 110,3 |
| he World Index (2426) | 154.85 | ~ 0.7 | 139.73 | 144.32 | -0.2 | 2.14 | 155.89 | 136.94 | 144.84 | 155.68 | 136.68 | 128.9 |